

After recordation, please return to:

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

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

---

SERIES 2012 TOWN LEASE

TOWN OF PRESCOTT VALLEY MUNICIPAL PROPERTY CORPORATION,

as Lessor,

TO

TOWN OF PRESCOTT VALLEY, ARIZONA,

as Lessee

This SERIES 2012 TOWN LEASE, dated as of June 1, 2012 (this "Town Lease"), by and between TOWN OF PRESCOTT VALLEY MUNICIPAL PROPERTY CORPORATION, a nonprofit corporation organized and existing under the laws of the State of Arizona (the "Corporation"), and the TOWN OF PRESCOTT VALLEY, ARIZONA, a municipal corporation of the State of Arizona (the "Town");

W I T N E S S E T H:

WHEREAS, 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; and

WHEREAS, the Town heretofore determined that it would be beneficial to its citizens 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 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 as of the date hereof 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 as of the date hereof; and

WHEREAS, the Corporation, at the request of the Town to finance the Town Hall Project, has 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, from the Corporation to the Trustee, none of which remain outstanding as of the date hereof; and

WHEREAS, 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 as of the date hereof; and

WHEREAS, 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, as 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, 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 as of the date hereof; and

WHEREAS, 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 \$\_\_\_\_\_,000 principal amount remain outstanding as of the date hereof; and

WHEREAS, 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 \$\_\_\_\_\_,000 principal amount remain outstanding as of the date hereof; and

WHEREAS, the Town then determined that it would be beneficial to its citizens to refinance all of the First Series 2003 Bonds remaining outstanding (the "2011 Refunding"); and

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

WHEREAS, the Town heretofore determined that it would be beneficial to the citizens of the Town to refinance the costs of certain improvements to the Town's sewer system (the "2003 Sewer Refunding"); and

WHEREAS, to finance the costs of the 2003 Sewer Refunding, the Mayor and Common Council of the Town issued its \$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 \$\_\_\_\_\_,000 principal amount remain outstanding as of the date hereof; and

WHEREAS, the Town has now determined that it would be beneficial to the citizens of the Town to refinance [all/a portion] of the Second Series 2004 Bonds and the Series 2003 Sewer Bonds remaining outstanding (the "2012 Refunding"); and

WHEREAS, the Corporation desired to assist the Town in financing the 2012 Refunding; and

WHEREAS, in order to finance the costs of the 2012 Refunding, the Corporation and the Town deemed it necessary and desirable for the Corporation to issue its \$\_\_\_\_\_,000 aggregate principal amount of Town of Prescott Valley Municipal Property Corporation Municipal Facilities Revenue Refunding Bonds, Series 2012 (the "Series 2012 Bonds"); and

WHEREAS, in connection with the issuance of the Series 2012 Bonds, the Corporation and the Town entered into (i) a First Amendment to Second Series 2004 Ground Lease, dated as of June 1, 2012 (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 and on Exhibit A-1 attached hereto (the "2004 Demised Premises"), (ii) a Series 2012 Ground Lease, dated as of June 1, 2012 (the "Series 2012 Ground Lease"), by and between the Town and the Corporation, pursuant to which the Town encumbers the "Demised Premises" described therein and on Exhibit A-2 attached hereto (the "2012 Demised Premises" and, together with the 2004 Demised Premises, the "Demised Premises") and (iii) this Town Lease, pursuant to which (A) the Corporation accepts the encumbrance of the Demised Premises to the Town and (B) the Town, as agent for the Corporation, agrees to provide for the 2012 Refunding; and

WHEREAS, the Series 2012 Bonds are secured by the Indenture, as further supplemented by the Series 2012 Supplemental Trust Indenture, dated as of June 1, 2012 (the "Series 2012 Supplemental Indenture"), from the Corporation to the Trustee; and

WHEREAS, the Series 2012 Bonds are secured by this Town Lease pursuant to which the Town pledged certain excise and franchise taxes as security for the payment of rental payments coming due hereunder and, on a parity herewith, 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 2012 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;

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

ARTICLE I

LEASE; TERMS; RENT; DESIGN, ACQUISITION,  
CONSTRUCTION AND EQUIPPING OF THE IMPROVEMENTS

Section 1.01. The Corporation hereby extends (with respect to the 2004 Demised Premises) and commences (with respect to the 2012 Demised Premises) the lease to the Town of, and the Town hereby extends and commences, as applicable, the lease from the Corporation of, the Demised Premises for the term commencing with the date hereof and continuing until January 2, 20\_\_, or such later date as of which the Series 2012 Bonds are deemed paid and discharged under the Indenture, the First Series 2004 Supplemental Indenture, the Second Series 2004 Supplemental Indenture, the Series 2011 Supplemental Indenture and the Series 2012 Supplemental Indenture (collectively, the "Indentures"). (The Demised Premises are hereinafter referred to as the "Leased Property.")

Section 1.02. The Town shall have the right to terminate this Town Lease on written notice to the Corporation given concurrently with, or subsequent to, the date the Indentures are released of record as a result of the payment of or provision for the entire indebtedness secured hereby, as provided in the Indentures and any supplements thereto. Upon such termination, all rights of the Corporation or any other entity, except the Town, in and to the Leased Property shall cease and the Corporation, by appropriate instruments of conveyance, shall, without further consideration, convey the Leased Property to the Town.

Section 1.03. While the Series 2012 Bonds are Outstanding (as such term is defined in the Indentures), the Town shall, as rental payments to the Corporation, its successors or assigns, pay (i) on each January 20 and July 20 commencing on January 20, 2012, an amount which when added to the balance then in the Interest Fund established pursuant to the Indentures which shall be equal to the interest due on the Series 2012 Bonds on the next interest payment date, provided that on or before December 20, 2012, the Town shall pay an amount which when added to such balance shall be equal to interest due on the Series 2012 Bonds on January 1, 2013; (ii) on each January 20 and July 20 commencing on January 20, 2013, an amount which when added to the balance then in the Obligation Retirement Fund established pursuant to the Indentures shall be equal to one-half (½) of the principal due on the Series 2012 Bonds on the next principal payment date (whether as a result of maturity or mandatory redemption), provided that on or before December 20, 2012, the Town shall pay an amount which when added to such balance shall be equal to principal due on the Series 2012 Bonds on January 1, 2013; (iii) on the twentieth (20th) day of each month commencing September 20, 2012, an amount equal to the

amount required to restore the Reserve Fund created by the Indenture to an amount equal to the Reserve Requirement (as defined in the Indenture) for the Series 2012 Bonds and (iv) on the twentieth (20th) day of each month commencing September 20, 2012, all other amounts required to be paid by the Corporation or the Town to the Trustee pursuant to the Series 2012 Supplemental Indenture. The rental payments payable hereunder shall be paid for and in consideration of the use and occupancy of the Leased Property which the Town receives, and in consideration of the continued quiet use and enjoyment thereof as provided in Section 4.01 hereof. The rental payments paid by the Town under this Section shall be paid directly to the Trustee for and on behalf of the Corporation. The obligation of the Town for such rental payments shall be co-extensive with the debt service and other payment obligations of the Corporation pursuant to the Indentures and, when the Series 2012 Bonds and other obligations secured under the Series 2012 Supplemental Indenture have been fully paid or provided for, the Town shall, except for the obligation of the Town to make payments to the Trustee pursuant to provisions of Section 7.03 of the Indenture, have no further obligation to make rental payments hereunder.

Section 1.04. Such rental payments, as well as any other money required to be expended by the Town pursuant to the provisions of this Town Lease, shall be payable solely from sources referred to in Article III hereof and shall under no circumstances constitute a general obligation of the Town or be payable from the proceeds of ad valorem taxes.

Section 1.05. The Town shall pay as additional rental payments (i) 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 2012 Bonds and the investment of the proceeds thereof as provided in Section 10.02 hereof, (ii) all fees and expenses of the Trustee and the registrars and paying agents under the Series 2012 Supplemental Indenture to the extent, if any, that such fees, expenses and payments are not met by the regular rentals payments, (iii) the reasonable expenses of the Corporation approved by the Town and not otherwise required to be paid by the Town under the terms hereof, (iv) losses on investments made by the Trustee at the direction of the Town under the terms of the Series 2012 Supplemental Indenture, but only to the extent necessary to meet the debt service on the Series 2012 Bonds and to pay any other amounts required to be paid by the Corporation or the Town under the Series 2012 Supplemental Indenture, (v) fees for maintaining the corporate existence of the Corporation 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 Ground Lease Amendment, the Series 2012 Ground Lease, this Town Lease, the Series 2012 Supplemental Indenture or the Series 2012 Bonds, or questioning the legality of any action taken or to be taken pursuant thereto, and (vi) all other expenses of the Corporation incurred at the written request of the Town or the Trustee in accordance with the provisions

of this Town Lease, the Ground Lease Amendment, the Series 2012 Ground Lease or the Series 2012 Supplemental Indenture. The Town shall pay the amounts specified in clause (i) directly to the United States as required by the Code, in clause (ii) directly to the Trustee as they become due and within twenty (20) days after receipt by the Town of invoice therefor, except as otherwise provided in the Series 2012 Supplemental Indenture, in clause (iii) 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 Town of invoice therefor, in clause (iv) to the Trustee, in clause (v) to the Trustee or the Corporation, as appropriate, upon evidence that such costs, expenses, losses or damages have been incurred, and in clause (vi) to the Corporation, upon evidence that such expenses have been incurred.

Section 1.06. Each installment or other amount of rent 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 rental payments 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 twelve percent (12%) per annum, from the date when the same is due hereunder until the same shall be paid.

Section 1.07. Notwithstanding the provisions of Section 1.06 hereof, all rental payments for debt service on the Series 2012 Bonds and other items required to be paid by the Series 2012 Supplemental Indenture, as well as additional rental payments payable to the Trustee under Section 1.05 hereof, shall be paid at the principal corporate trust office of the Trustee. The Corporation shall cause the Trustee to apply the rental payments made by the Town in the manner and for the purposes expressed in the Series 2012 Supplemental Indenture.

Section 1.08. Unless otherwise requested by the Town pursuant to Section 7.03 hereof, any money in the Revenue Fund established pursuant to the Indentures which, in the opinion of the Trustee, exceeds the amounts necessary for the current debt service on the Series 2012 Bonds then Outstanding (including administrative costs and expenses) shall, at least annually, so long as the Town is not in default hereunder, constitute a credit to the Town on the next succeeding rental payment or payments due or coming due hereunder. Likewise, earnings on the Revenue Fund established pursuant to the Indentures shall, at least annually, so long as the Town is not in default hereunder, constitute a credit to the Town on the next succeeding rental payment or payments due or coming due hereunder.

Section 1.09. The Town, as agent to the Corporation, shall provide for all matters with respect to the 2012 Refunding.

ARTICLE II

TAXES, LIENS, UTILITIES, INSURANCE AND OTHER CHARGES

Section 2.01. The rental payments payable under this Town 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 2.02. The Town shall pay or cause to be paid, punctually when due and payable, as additional rental payments hereunder, 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 taxes and charges of every kind and nature which at any time prior to the expiration or termination of this Town Lease shall be or become due and payable by the Corporation or the Town and which shall be levied, charged, assessed or imposed:

(i) 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 Town therein or under this Town Lease;

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

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

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

Section 2.03. The Town shall 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 Town 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 interest of the Corporation 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 as it matures or becomes due, provided, however, that if the Town 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 Town shall forthwith pay and discharge said judgment.

Section 2.04. The Town shall 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 Town or any other occupant of said 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 2.05. The Town shall, at its own cost and expense, during the term of this Town 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 rental payments herein provided, the Corporation shall provide nothing more than the Leased Property. Failure of the Town to faithfully observe this covenant shall constitute a breach of this Town Lease, and the Corporation shall have reasonable rights of inspection for the purpose of determining the performance by the Town of its obligations under this Section.

Section 2.06. The Town shall cause the Leased Property (including during construction of the Project) 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 maintain other insurance on its business and properties with respect to loss, damage, liability and other claims of the kind customarily insured against by similarly situated municipal corporations. All such insurance shall 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 and insure such risk in the State of Arizona or through the risk retention pool of the State in which the Town participates. 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 Town 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.

## ARTICLE III

### SOURCES OF PAYMENT AND PLEDGE

Section 3.01. All rental and other payments made in accordance herewith shall be made only from excise taxes received by the Town including (i) the transaction (sales) privilege taxes of the Town, (ii) the portion of sales, transaction privilege or income taxes of the Town imposed and collected by the State of Arizona or by any other governmental unit or agency, and (iii) all other transaction privilege, excise and franchise taxes of the Town. The Town shall first make all rental and other payments accruing pursuant to this Town Lease out of the aforesaid sources, the Town may thereafter use the remaining funds for any other lawful purpose, but only to the extent that, taking into account the reasonably anticipated receipts during the coming semiannual period, such sources will not be reduced to such a level that the Town will be unable to make the next rental payment hereunder.

Section 3.02. The Town may, at the sole option of the Town, make rental and other payments required hereunder from its other funds as permitted by law and as the Town shall determine from time to time, but the Corporation acknowledges that it has no claim hereunder to such other funds. No part of the rental and other payments payable pursuant to this Town Lease shall be payable out of any ad valorem taxes imposed by the Town, from bonds or other obligations, for the payment of which the general taxing authority of the Town is liable or pledged, or from its general funds, unless (i) the same shall have been duly budgeted by the Town according to law, (ii) such payment or payments shall be within the budget or expenditure limitations of the Constitution and laws of the State of Arizona, and (iii) such payment is not in conflict with the Constitution and laws of the State of Arizona.

Section 3.03. The Town hereby pledges for the payment of the rental and other payments required hereunder all transaction privilege (sales), other transaction privilege, excise, franchise and income taxes which it now collects, which it may collect in the future, or which are allocated or apportioned to the Town by the State of Arizona, any political subdivision thereof, or any other governmental unit or agency, EXCEPT the share of the Town of any excise and franchise taxes which by State of Arizona law, rule or regulation must be expended for other purposes, such as the motor vehicle fuel tax, which the Town now collects or may collect in the future (collectively, the "Excise Taxes"). The Town intends that this pledge shall be a first lien upon the Excise Taxes as will be sufficient to make the rental and other payments pursuant hereto, and the Town shall make such payments from receipts from the Excise Taxes, except to the extent that it chooses to make such payments from other funds pursuant to Section 3.02 hereof.

Section 3.04. To the extent permitted by law, the Excise Taxes shall be retained and maintained so that the amount of all such

Excise Taxes received within and for the next preceding fiscal year shall be equal to (i) at least two (2) times the total of rental payments payable hereunder in any current fiscal year. If such Excise Tax receipts for any such preceding fiscal year shall not equal two (2) times the rental payment requirements of any current fiscal year hereunder or if at any time it appears that the current Excise Tax receipts will not be sufficient to meet the rental payment requirements hereunder, the Town shall either impose new excise and franchise taxes or increase the rates for the Excise Taxes currently imposed in order that (i) the current receipts will be sufficient to meet all current requirements hereunder and (ii) the current year's receipts will be reasonably calculated to attain the level as required above for the succeeding fiscal year's rental payment requirements.

Section 3.05. So long as any of the First Series 2004 Bonds, the Second Series 2004 Bonds, the Series 2011 Bonds or the Series 2012 Bonds remain outstanding and the principal and interest thereon shall be unpaid or unprovided for, the Town shall not further encumber the Excise Taxes on a basis equal to this first lien pledge unless the Excise Taxes collected in the next preceding fiscal year shall have amounted to (i) at least two and one-half (2½) times the highest combined interest and principal requirements for any succeeding twelve (12) months' period for all the First Series 2004 Bonds, the Second Series 2004 Bonds, the Series 2011 Bonds and Series 2012 Bonds then outstanding and any parity bonds or other obligations so proposed to be secured by a pledge of the Excise Taxes.

Section 3.06. The pledge and lien of the Excise Taxes as provided above shall be on a parity with the pledge and lien under the First Series 2004 Town Lease as to the First Series 2004 Bonds, the Second Series 2004 Town Lease as to the Second Series 2004 Bonds and under the Series 2011 Town Lease as to the Series 2011 Bonds. Any default of the Town under this Town Lease shall constitute a default under the First Series 2004 Town Lease, the Second Series 2004 Town Lease and the Series 2011 Town Lease, and any default under the Indentures shall constitute a default under this Town Lease. Notwithstanding the foregoing, the Town shall not be deemed in default under this Town Lease as long as the rental payments required hereunder and under the First Series 2004 Town Lease, the Second Series 2004 Town Lease and the Series 2011 Town Lease, are timely paid from the Excise Taxes, even though the Town may be in default of payments required by its other obligations to the Corporation. (In order to secure payment of the amounts due pursuant to the First Series 2004 Town Lease, the Second Series 2004 Town Lease, the Series 2011 Town Lease, this Town Lease and any agreement described in Section 7.05(v) hereof and to create a separate and special fund which shall contain only the revenues from the Excise Taxes and shall not contain any other moneys of the Town, the Town shall create a special fund to be known as the Town of Prescott Valley Excise Tax Revenue Fund" ("Excise Tax Revenue Fund"). Upon receipt by the Town, the revenues from the Excise Taxes shall be deposited in and to the Excise Tax Revenue Fund. The Excise Tax Revenue Fund shall be funded only from the revenues from the Excise Taxes received by the Town and from no other source. After

paying therefrom amounts of the revenues from the Excise Taxes for the purposes described herein, the Excise Tax Revenue Fund may be reduced to zero each December 16 and June 16 after the amount required to be deposited to the Interest Fund, the Obligation Retirement Fund and the Reserve Fund as described hereinabove has been deposited, including by transferring any such balance to the "General Fund" of the Town.)

Section 3.07. In the event of any default by the Town under this Town Lease, the remedies of the Corporation with respect to the enforcement of the liens and pledges set forth in this Article and with respect to the covenants and agreements contained in this Article shall be as provided in Article V hereof. The Trustee, on behalf of the registered owners of the Series 2012 Bonds, may enforce these liens and pledges and the aforesaid covenants and agreements in place of the Corporation in accordance with the terms and conditions of the Indentures.

Section 3.08. The condition set forth in Section 3.04 hereof is, at the time of the execution hereof, and shall be, at the time of the issuance of the Series 2012 Bonds, satisfied.

#### ARTICLE IV

##### QUIET ENJOYMENT; EXPIRATION OR TERMINATION OF LEASE; SURRENDER OF LEASED PROPERTY

Section 4.01. The Town, 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 4.02. Except as is otherwise provided hereinafter particularly in Section 4.03, the Town shall upon the expiration or termination of this Town Lease surrender to the Corporation the Leased Property in good order and condition and in a state of repair that is consistent with prudent use and conscientious maintenance, except for reasonable wear and tear.

Section 4.03. In consideration of the timely payment of all rental payments provided herein and provided that (i) the Town has performed all the covenants and agreements required of it to be performed and (ii) the First Series 2004 Bonds, the Second Series 2004 Bonds, the Series 2011 Bonds, the Series 2012 Bonds and any other bonds and obligations on a parity therewith, 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 Indentures due and owing, have been paid or provided for, the Corporation shall cause the Trustee to release the Leased Property from the lien of the Indentures. The Town may then exercise its rights of termination under Section 1.02 hereof. Upon such termination, all rights of the Corporation or any other person or entity, except the Town, in and to

the Leased Property shall cease and the Corporation shall, without further consideration, execute and deliver to the Town appropriate instruments of conveyance conveying title to the Leased Property to the Town. The Corporation shall take any and all steps and shall execute and record any and all documents reasonably required by the Town to consummate the transfer of title to the Leased Property to the Town.

## ARTICLE V

### REMEDIES UPON DEFAULT, NO ABATEMENT OF RENTALS

Section 5.01. Upon the nonpayment of the whole or any part of the rental payments when the same are to be paid as herein provided or violation by the Town of any other covenant or provision of this Town Lease, and if such default has not been cured (i) in the case of nonpayment of rental payments, within five (5) days and (ii) 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, then the Corporation may bring an action for the recovery of any of the rental payments due (but not for rental payments accruing) or for damages for breach of this Town Lease, and the Corporation may pursue any other remedy which the law affords, including the remedy of specific performance.

Section 5.02. The Corporation, upon the bringing of a suit to collect the rental payments in default, may request enforcement of the pledges and foreclosure of the liens set forth in Article III hereof, in which event the Corporation, as a matter of right, without notice and without giving any bond or surety to the Town or anyone claiming under the Town, may have a receiver appointed of the Excise Taxes which are so pledged for the payment of the rental payments, with such powers as the court making such appointment shall confer and the Town does hereby irrevocably consent to such appointment.

Section 5.03. In any suit to enforce the terms of this Town Lease, the Corporation shall recover its costs therein, as well as reasonable attorneys' fees, as the Court shall approve.

Section 5.04. The Corporation shall in no event be in default in the performance of any of its obligations under this Town 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 Town 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 First Series 2004 Bonds, the Second Series 2004 Bonds, the Series 2011 Bonds or the Series 2012 Bonds are outstanding, the Town shall have no right to abate or offset the payments of rental payments to be made by the Town 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 Town shall not be limited to a remedy for damages.

Section 5.05. Except as in this Town Lease expressly provided, this Town 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 Town Lease expressly provided, the rentals, as well as all other amounts payable hereunder, shall be paid by the Town in accordance with the terms, covenants and conditions of this Town Lease without abatement, diminution or reduction.

Section 5.06. Each right, power and remedy of the Corporation or the Town provided for in this Town 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 Town 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 5.07. The failure to insist upon a 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 rights of the Corporation or the Town to insist upon a strict compliance by the Town or the Corporation with all the covenants and conditions hereof.

## ARTICLE VI

### ESTOPPEL CERTIFICATE

Section 6.01. At any time and from time-to-time, upon not less than ten (10) days' prior request by the Corporation or the Trustee, the Town shall execute, acknowledge and deliver to the Corporation and the Trustee a statement in writing certifying that this Town Lease is unmodified and in full force and effect (or, if the Town Lease has been modified, that it is in full force and effect except as modified, and stating the modification), and the dates to which the rentals and other amounts payable hereunder and thereunder have been paid in advance, if any.

ARTICLE VII

REFINANCING; REFUNDING; REDEMPTION;  
PURCHASE OF BONDS; ADDITIONAL BONDS

Section 7.01. Upon notice to the Corporation, the Town may request that the Corporation refinance or prepay, as the case may be, the outstanding bonds and other obligations of the Corporation by refunding or redeeming or prepaying, as the case may be, such bonds and obligations then outstanding, subject to the provisions of the Indentures and the terms of any other debt obligations, by issuing new bonds or other obligations. The Corporation shall use its best efforts to so refinance or prepay, as the case may be, its indebtedness.

Section 7.02. Prior to the issuance of such bonds or other obligations for the purpose of refunding or refinancing or prepaying, as the case may be, the outstanding bonds and other obligations of the Corporation, the Corporation and the Town shall enter into a written supplement to this Town Lease increasing or decreasing, as the case may be, the rental 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 bonds or other obligations and all other usual and ordinary costs and expenses relating thereto.

Section 7.03. The Town shall have the right to pay installment rental payments in advance and may specify that such payments be placed in the Obligation Retirement Fund established pursuant to the Indentures. In addition, if on any payment date the money in the Revenue Fund established pursuant to the Indentures exceeds the amount necessary for the current debt service on the Series 2012 Bonds then Outstanding, including administrative costs and expenses then due and payable under the Indentures, such excess shall, at the written request of the Town, be transferred to and paid over into the Obligation Retirement Fund established pursuant to the Indentures. At the request of the Town, the Corporation shall cause the amount of money contained in the Obligation Retirement Fund established pursuant to the Indentures from time to time to be used on any redemption date authorized in the Indentures to retire all or any portion of the Outstanding Series 2012 Bonds or if, before Series 2012 Bonds are subject to redemption, they may be obtained in the open market at a cost equal to or below par, or, after Series 2012 Bonds are subject to redemption, they may be so obtained at a price below the cost of redemption, then, upon the request of the Town, the Corporation shall cause money contained in the Obligation Retirement Fund established pursuant to the Indentures to be used to purchase Series 2012 Bonds in the open market for the purpose of cancellation. At such time or times as Series 2012 Bonds are redeemed or purchased pursuant hereto, the rental payments to be paid by the Town hereunder shall be adjusted in such manner as to provide for the debt service on the remaining Series 2012 Bonds. There shall be no accumulation of funds, or earnings thereon, in the Obligation Retirement Fund established pursuant to the Indentures as would cause the Series 2012 Bonds

or other bonds issued pursuant to the Indentures to be deemed "arbitrage bonds" under the Code.

Section 7.04. Upon retirement of Series 2012 Bonds by means of redemption or purchase pursuant to Section 7.03 hereof and payment of any remaining administrative costs and expenses, the Corporation shall cause the Trustee to release the Leased Property from the lien of the Indentures, and the Town may then exercise its right to terminate this Town Lease, except for the obligation of the Town to make payments to the United States as described in Section 1.05(i) hereof.

Section 7.05. The Corporation may establish one or more issues of additional bonds or other obligations on a parity with the First Series 2004 Bonds, the Second Series 2004 Bonds, the Series 2011 Bonds and the Series 2012 Bonds (and to which thereafter Sections 3.05 and 7.05 hereof shall apply) and may issue and deliver such additional bonds or other obligations, in such principal amount 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 bonds or other obligations:

(i) such additional bonds or other 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 Town 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 First Series 2004 Town Lease, the Second Series 2004 Town Lease, the Series 2011 Town Lease and this Town Lease and in the Indentures, as they may have been supplemented;

(iii) the resolution authorizing issuance of such additional bonds or other obligations shall require that the proceeds of the sale of such additional bonds or other 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 bonds or other obligations and the costs of any premium relating to insurance on the additional bonds or other obligations or on any debt service reserve fund therefor, and, if desired, a reasonable debt service reserve fund for the protection of the owners of the additional bonds or other obligations and interest on said additional bonds or other obligations during the actual period of any acquisition and construc-

tion of such facilities, and for a reasonable period of time thereafter;

(iv) such additional bonds or other obligations shall be equally and ratably secured with the First Series 2004 Bonds, the Second Series 2004 Bonds, the Series 2011 Bonds and the Series 2012 Bonds without preference or priority of any of the bonds or other obligations over any other bonds or other obligations, except as expressly provided in the Indentures, as supplemented;

(v) the Corporation shall have entered into a revised agreement with the Town, or shall have amended this Town Lease, in and by which the Town obligates itself in the manner therein provided to increase or decrease 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 bonds or other obligations as such principal and interest become due; and

(vi) the conditions set forth in Section 3.05 hereof shall then be satisfied.

#### ARTICLE VIII

##### OFFICIAL STATEMENT DISCLOSURES; INDEMNIFICATION

Section 8.01. The Town hereby recognizes that in the sale of the Series 2012 Bonds the Corporation shall have issued an Official Statement describing the Series 2012 Bonds and the security for the payment thereof and containing certain information about the Town (the "Official Statement") which has been furnished to the Corporation by the Town. Recognizing that the Corporation and its officers, directors, agents and employees have no practicable independent means of verifying such information, the Town hereby represents and warrants to the Corporation that all material contained in the Official Statement, insofar as it relates to the Town and the sources of funds or as it otherwise describes the security of this Town Lease and the rights of the bondholders 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 8.02. To the extent permitted by applicable law, the Town shall pay, indemnify and save the Corporation and the Trustee harmless 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.

Section 8.03. The Corporation, its incorporators, members, directors, officers, agents and employees shall not be liable to the Town 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 willful misconduct of the Corporation, its incorporators, members, directors, officers, agents or employees. To the extent permitted by applicable law, the Town shall indemnify and hold such persons harmless for, from and defend them and each of them against any and all claims, losses or judgments for death of, or 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 willful misconduct of the Corporation, its incorporators, members, directors, officers, agents or employees. 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 Town, upon notice from the Corporation and to the extent permitted by applicable law, shall resist or defend such action or proceeding.

Section 8.04. To the extent permitted by applicable law, the Town shall pay and indemnify the Corporation for, from and against all lawful and reasonable costs and charges, including reasonable counsel fees, in enforcing any covenant or agreement of the Town contained in this Town Lease.

Section 8.05. In clarification and extension of the provisions of the other sections of this Article VIII, and not in substitution therefor, the Town, subject to the provisions of Section 1.04 hereof and to the extent permitted by applicable law, shall indemnify and hold the Corporation and the Trustee, their respective directors, officers, agents and employees, harmless 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 arising out of (i) this Town Lease, the Series 2012 Supplemental Indenture and security agreements, financing statements, supplements, amendments or additions thereto or the enforcement of any of the terms thereof; (ii) the Series 2012 Bonds; (iii) any offering statement or official statement, either preliminary or final, pertaining to the Series 2012 Bonds; and (iv) the issuance and sale of the Series 2012 Bonds or the transactions contemplated in any of the aforementioned acts, agreements or documents; provided, however, that such indemnity shall not extend to any actions of (A) the Corporation deliberately taken by them over the objections of the Town or otherwise involving the wilful misconduct or gross negligence of the Corporation, its directors, officers or agents, or (B) the Trustee involving the wilful misconduct or gross negligence of the Trustee, its directors, officers or agents. The Corporation and the Trustee shall give notice to the Town of any event or condition which requires indemnification by the Town hereunder, or any allegation of such event or condition, promptly upon obtaining knowledge thereof, and, to the extent that the Town makes or provides for payment to the satisfaction of the Corporation or the Trustee under the indemnity provisions hereof, the Town shall be subrogated to the rights of the Corporation or the Trustee with

respect to such event or condition and shall have the right to determine the settlement of claims thereon. The Town shall pay all amounts due hereunder promptly upon notice thereof from the Corporation or the Trustee. In case any action, suit or proceeding is brought against the Corporation or the Trustee by reason of any act or condition which requires indemnification by the Town hereunder, the Corporation and the Trustee shall notify the Town promptly of such action, suit or proceeding, and the Town may (and will upon the request of the Corporation or the Trustee), at the expense of the Town, 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 Town and approved by the Corporation and the Trustee. If the Corporation or the Trustee desire to participate in the defense of such action, suit or proceeding through their own counsel, they may do so at their own expense.

## ARTICLE IX

### ACCESS AND CONTROL OF TOWN

Section 9.01. The Corporation, incident to the issuance and sale of the Series 2012 Bonds, shall assign (except for the Unassigned Corporation's Rights [as such term is defined in the Indentures]) all rights and benefits hereunder to the Trustee and shall grant the Trustee a lien on its interest in this Town Lease for the benefit of the bondholders. The Town hereby consents to such assignment and grant of lien.

Section 9.02. The Town, so long as no event of default by the Town under this Town Lease shall have occurred and be continuing, shall at all times have and retain all 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 Indentures shall, so long as no event of default by the Town under this Town Lease shall have occurred and be continuing, be subject and subordinate to the rights of the Town under this Section.

## ARTICLE X

### FEDERAL TAX LAW PROVISIONS

Section 10.1. (A) The Town and the Corporation covenant with the holders of the Series 2012 Bonds that they will not make or direct the making of any investment or other use of the proceeds of any Series 2012 Bonds which would cause such Series 2012 Bonds to be "arbitrage bonds" as that term is defined in Section 148 (or any successor provision thereto) of the Internal Revenue Code of 1986, as amended, or "private activity bonds" as that term is defined in Section 141 (or any successor provision thereto) of such Code, and that they will comply with the requirements of such Code sections and related regulations throughout the term of the Series 2012 Bonds.

(Particularly, the Town shall be the owner of the Roads Project for federal income tax purposes and 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 Roads Project 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 Roads Project.) Also, the payment of principal and interest with respect to the Series 2012 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 2012 Bonds, or amounts treated as proceeds of the Series 2012 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 2012 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 Town and the Corporation hereby further covenant and agree to comply with the procedures and covenants contained in any arbitrage rebate provision or separate agreement executed in connection with the issuance of the Series 2012 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 2012 Bonds. In consideration of the purchase and acceptance of the Series 2012 Bonds by such holders 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 Town and the Corporation covenant, and the appropriate officials of the Town and the Corporation are hereby directed, to take all action required to maintain such exclusion or to refrain from taking any action prohibited by such Code which would adversely affect in any respect such exclusion.

(B) (1) The Town shall take all necessary and desirable steps, as determined by the Mayor and Council of the Town, to comply with the requirements hereunder in order to ensure that interest on the Series 2012 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 Town receives a Bond Counsel's Opinion (as such term is defined in the next section) that either (i) compliance with such requirement is not required to maintain the exclusion from gross income of interest on the Series 2012 Bonds, or (ii) compliance with some other requirement will meet the requirements of the Code. In the event the Town receives such a Bond Counsel's Opinion, the parties agree to amend this Series 2012 Town Lease to conform to the requirements set forth in such opinion.

(2) If for any reason any requirement hereunder is not complied with, the Town shall take all necessary and desirable steps, as determined by the Mayor and Council of the Town, 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 Town shall pay any required interest or penalty under Regulations section 1.148-3(h).

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 Town delivered in connection with the issuance of the Series 2012 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 Town.

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 2012 Bonds and shall end on the date selected by the Town, 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 2012 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 2012 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 2012 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 Town or the Corporation from the sale of the Series 2012 Bonds but excluding amounts used to pay accrued interest on the Series 2012 Bonds within one year of the date of issuance of the Series 2012 Bonds;

(ii) transferred proceeds of the Series 2012 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 2012 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 2012 Bonds, pledged amounts where there is reasonable assurance that such amounts will be available to pay principal or interest on the Series 2012 Bonds in the event the Town 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 2012 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 2012 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 1.48-11 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 Town 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 2012 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 2012 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 2012 Bond, an amount equal to 100% of the Rebate Requirement (determined as of the date of retirement of the last Series 2012 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 (D), 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) or (G), 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 Issuer or any other person (whether or not in connection with the Series 2012 Bonds), and that the bid is not being submitted solely as a courtesy to the Town or the Corporation or any other person for purposes of satisfying the requirements in the Regulations that the Town 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 2012 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 2012 Bonds (e.g., a lead underwriter within 15 days of the issue date of the Series 2012 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 Town 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 Town retains until three years after the last outstanding Series 2012 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 Town 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 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 2012 Bonds.

## ARTICLE XI

### GENERAL PROVISIONS

Section 11.01. The Town may not sell or assign its interest in this Town Lease while any of the Series 2012 Bonds or other bonds issued pursuant to the Indenture 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 Town 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 2012 Bonds or other bonds issued pursuant to the Indenture 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 Town shall nevertheless remain liable for the rentals provided herein and for the performance of the other obligations of the Town hereunder.

Section 11.02. All rights of the Corporation hereunder [(except for the Corporation's Unassigned Rights (as such term is defined in the Indentures))] are to be assigned, pledged, mortgaged and transferred to the Trustee as security for the Series 2012 Bonds, but subject to the rights under this Town Lease of the Town. 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 rentals 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 Town.

Section 11.03. 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: Town of Prescott Valley Municipal  
Property Corporation  
c/o Town of Prescott Valley, Arizona  
7501 East Civic Circle  
Prescott Valley, Arizona 86314  
Attention: President

To the Town: Town of Prescott Valley, Arizona  
7501 East Civic Circle  
Prescott Valley, Arizona 86314  
Attention: Town Manager

To the Trustee: U.S. Bank National Association  
Suite 1600  
101 North First Avenue  
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 11.04. This Town Lease shall be considered the revised agreement for purposes of Sections 7.05(v) of the Second Series 2004 Town Lease shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Arizona.

Section 11.05. If any term or provision of this Town Lease or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Town 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 Town Lease shall be valid and enforceable to the fullest extent permitted by law.

Section 11.06. This Town Lease may be executed in several counterparts, each of which shall be an original, but all of which shall constitute but one instrument.

IN WITNESS WHEREOF, the Corporation and the Town 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.

TOWN OF PRESCOTT VALLEY MUNICIPAL  
PROPERTY CORPORATION, an Arizona  
nonprofit corporation

By.....  
President

ATTEST:

.....  
Secretary-Treasurer

TOWN OF PRESCOTT VALLEY, ARIZONA, a  
municipal corporation

By.....  
Mayor

ATTEST:

.....  
Town Clerk

APPROVED AS TO FORM:

.....  
Town Attorney

STATE OF ARIZONA            )  
                                  ) ss.  
COUNTY OF YAVAPAI        )

On this, the ..... day of June, 2012, before me, the undersigned Notary Public, personally appeared ..... and ....., who acknowledged themselves to be the President and Secretary-Treasurer, respectively, of the TOWN OF PRESCOTT VALLEY MUNICIPAL PROPERTY CORPORATION, an Arizona nonprofit corporation, and that they, as such officers, being authorized so to do, executed the foregoing Town 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 June, 2012, before me, the undersigned Notary Public, personally appeared ..... and ....., who acknowledged themselves to be the Mayor and Town Clerk, respectively, of the TOWN OF PRESCOTT VALLEY, ARIZONA, a municipal corporation, and that they, as such officers, being authorized so to do, executed the foregoing Town 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:  
.....

Notice required by A.R.S. Section 41-313: The foregoing notarial certificate(s) relate(s) to the Series 2012 Town Lease, dated as of June 1, 2012, executed by the Town of Prescott Valley Municipal Property Corporation, an Arizona nonprofit corporation, and the Town of Prescott Valley, Arizona, a municipal corporation (the "Notarized Document"). The Notarized Document contains a total of \_\_ pages.

EXHIBIT A-1

DESCRIPTION OF 2004 DEMISES PROPERTY

EXHIBIT A-2

DESCRIPTION OF 2012 DEMISES PROPERTY

*PHX 330,259,031v2*