

NEW ISSUE – BOOK-ENTRY-ONLY

RATING: See “RATING” herein.

INSURANCE: See “BOND INSURANCE AND RELATED RISK FACTORS” herein.

In the opinion of Bond Counsel, assuming compliance with certain tax covenants, interest on the Series 2012 Bonds will be excludable from gross income for federal income tax purposes under existing statutes, regulations, rulings and court decisions. Interest on the Series 2012 Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. See “TAX MATTERS” herein for a description of the federal alternative minimum tax on corporations and certain other federal tax consequences of ownership of the Series 2012 Bonds. Bond Counsel is further of the opinion that, assuming interest on the Series 2012 Bonds will be so excludable from gross income for federal income tax purposes, the interest on the Series 2012 Bonds will be exempt from income taxation under the laws of the State of Arizona. See also “ORIGINAL ISSUE DISCOUNT” and “AMORTIZABLE PREMIUM” herein.

DRAFT II
5/29/12

TOWN OF PRESCOTT VALLEY
MUNICIPAL PROPERTY CORPORATION

\$5,695,000*
MUNICIPAL FACILITIES REVENUE
REFUNDING BONDS,
SERIES 2012A

\$11,215,000*
MUNICIPAL FACILITIES REVENUE
REFUNDING BONDS,
SERIES 2012B

Dated: Date of Initial Authentication and Delivery

Due: January 1, as shown on the inside front cover page

The Town of Prescott Valley Municipal Property Corporation Municipal Facilities Revenue Refunding Bonds, Series 2012A (the “Series 2012A Bonds”) will be issued for the purpose of providing funds to refinance certain outstanding sewer revenue-secured bonds of the Town of Prescott Valley, Arizona (the “Town”). The Town of Prescott Valley Municipal Property Corporation Municipal Facilities Revenue Refunding Bonds, Series 2012B (the “Series 2012B Bonds” and, together with the Series 2012A Bonds, the “Series 2012 Bonds”) will be issued for the purpose of providing funds to refinance certain outstanding excise tax-secured bonds of the Town of Prescott Valley Municipal Property Corporation (the “Corporation”). See “PLAN OF REFUNDING” herein. The Series 2012 Bonds will also pay the costs and expenses related to the issuance of the Series 2012 Bonds, including a premium for a municipal bond insurance policy and a debt service reserve fund surety bond*. Interest on the Series 2012 Bonds will be payable on July 1 and January 1 of each year, commencing on January 1, 2013*. The Series 2012 Bonds will be registered only in the name of Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), for purposes of the book-entry only system described herein. Ownership interests in the Series 2012 Bonds may be purchased in amounts of \$5,000 of principal due on a single maturity date or integral multiples thereof and will mature on the dates and in the principal amounts and will bear interest designated as interest from their date at the rates set forth on the inside front cover page. Payments of principal of and interest on the Series 2012 Bonds will be paid by the Trustee to DTC for subsequent disbursements to DTC participants who will remit such payments to the beneficial owners of the Series 2012 Bonds. See APPENDIX F – “BOOK-ENTRY-ONLY SYSTEM.”

SEE MATURITY SCHEDULES ON INSIDE FRONT COVER PAGE

The Series 2012 Bonds will be subject to redemption prior to their stated maturity dates as described under “THE SERIES 2012 BONDS – Redemption Provisions” herein*.

The principal of and interest on the Series 2012 Bonds will be payable from rental payments to be paid by the Town to the Corporation pursuant to a Series 2012 Town Lease, to be dated as of June 1, 2012* (the “Series 2012 Town Lease”), between the Town and the Corporation. The payment of the rental payments will be made from, and secured by, a pledge of, Excise Taxes (as defined herein), such pledge and lien, together with any pledge and lien made or to be made on a parity therewith as described in the Series 2012 Town Lease, being a first lien and pledge upon such amounts of the Excise Taxes. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS” herein. *The Series 2012 Bonds will be special obligations of the Corporation payable solely from the sources herein described. The Series 2012 Bonds will not be general obligations of the Corporation, the Town, the State of Arizona or any political subdivision thereof and do not constitute a debt or a pledge of the full faith and credit of the Corporation, the Town, the State of Arizona or any political subdivision thereof. The Corporation has no taxing power.*

The Series 2012 Bonds are offered when, as and if issued by the Corporation and received by the underwriter identified below (the “Underwriter”), subject to the legal opinion of Greenberg Traurig, LLP, Bond Counsel, as to validity and tax exemption. In addition, certain legal matters will be passed upon for the Underwriter by Squire Sanders (US) LLP. It is expected that the Series 2012 Bonds will be available for delivery through the facilities of DTC on or about June 28, 2012*.

This cover page contains certain information with respect to the Series 2012 Bonds for convenience of reference only. It is not a summary of material information with respect to the Series 2012 Bonds. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Series 2012 Bonds.

* Subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without any notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**TOWN OF PRESCOTT VALLEY
MUNICIPAL PROPERTY CORPORATION**

**MATURITY SCHEDULES*
Base CUSIP®⁽¹⁾ No. 74080P**

**\$5,695,000*
MUNICIPAL FACILITIES REVENUE
REFUNDING BONDS,
SERIES 2012A**

Maturity Date (January 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP® ⁽¹⁾ No.	Maturity Date (January 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP® ⁽¹⁾ No.
2013	\$ 600,000	%	%		2019	\$ 510,000			
2014	445,000				2020	530,000			
2015	450,000				2021	550,000			
2016	465,000				2022	570,000			
2017	480,000				2023	600,000			
2018	495,000								

[\$ _____ % Term Bond due January 1, 20__ – ____ % Yield CUSIP®⁽¹⁾ No. ____]

**\$11,215,000*
MUNICIPAL FACILITIES REVENUE
REFUNDING BONDS,
SERIES 2012B**

Maturity Date (January 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP® ⁽¹⁾ No.	Maturity Date (January 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP® ⁽¹⁾ No.
2013	\$ 355,000	%	%		2020	\$ 855,000			
2014	195,000				2021	895,000			
2015	745,000				2022	925,000			
2016	765,000				2023	955,000			
2017	785,000				2024	995,000			
2018	805,000				2025	2,105,000			
2019	835,000								

[\$ _____ % Term Bond due January 1, 20__ – ____ % Yield CUSIP®⁽¹⁾ No. ____]

* Subject to change.

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REGARDING THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the Town of Prescott Valley Municipal Property Corporation (the "Corporation"), the Town of Prescott Valley, Arizona (the "Town"), or Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a Division of Stifel Nicolaus (the "Underwriter"), to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2012 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth in this Official Statement, which includes the cover page, inside front cover page and appendices hereto, has been obtained from the Town, the Arizona Department of Revenue, the Assessor and Treasurer of Yavapai County, Arizona, and other sources that are considered to be accurate and reliable and customarily relied upon in the preparation of similar official statements, but such information has not been independently confirmed or verified by the Town or the Underwriter, is not guaranteed as to accuracy or completeness, and is not to be construed as the promise or guarantee of the Town or the Underwriter. A variety of other information, including financial information, concerning the Corporation and the Town is available from publications and websites of the Town and others. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is a part of or incorporated into this Official Statement, except as expressly noted herein.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the Corporation or the Town. All information, estimates and assumptions contained herein have been based on past experience and on the latest information available and are believed to be accurate and reliable, but no representations are made that such information, estimates and assumptions are correct, will continue, will be realized or will be repeated in the future. To the extent that any statements made in this Official Statement involve matters of forecasts, projections, opinions, assumptions, or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty, and no representation is made that any of these statements have been or will be realized. All forecasts, projections, assumptions, opinions or estimates are "forward looking statements" that must be read with an abundance of caution and that may not be realized or may not occur in the future. Information other than that obtained from official records of the Corporation or the Town has been identified by source and has not been independently confirmed or verified by the Corporation, the Town or the Underwriter and its accuracy cannot be guaranteed. The information and forward looking statements herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation, the Town or any of the other parties or matters described herein since the date hereof.

The Series 2012 Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities law and will not be listed on any stock or other securities exchange in reliance upon certain exemptions. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency will have passed upon the merits of the Series 2012 Bonds the accuracy or adequacy of this Official Statement or approved the Series 2012 Bonds for sale.

The Town has undertaken to provide continuing disclosure as described in this Official Statement under the caption "CONTINUING DISCLOSURE" and in APPENDIX E – "FORM OF CONTINUING DISCLOSURE UNDERTAKING," all pursuant to Rule 15c2-12 of the Securities and Exchange Commission.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2012 BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN

MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANYTIME. THE UNDERWRITER MAY OFFER AND SELL THE SERIES 2012 BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE FRONT COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

The information in APPENDIX F – “BOOK-ENTRY-ONLY SYSTEM” attached hereto has been furnished by The Depository Trust Company and no representation is made by the Corporation, the Town or the Underwriter, or any of their counsel or agents, as to the accuracy or completeness of such information.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY STATEMENT	1
THE CORPORATION	1
THE SERIES 2012 BONDS	2
Authorization	2
General Terms	2
Redemption Provisions	2
Registration and Transfer When Book-Entry-Only System Has Been Discontinued	4
PLAN OF REFUNDING	4
Schedule of Bonds Being Refunded by the Series 2012A Bonds	5
Schedule of Bonds Being Refunded by the Series 2012B Bonds	5
VERIFICATION OF MATHEMATICAL COMPUTATIONS	6
SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2012 BONDS	6
Generally	6
Additional Bonds	8
Reserve Fund	8
BOND INSURANCE	8
DEBT SERVICE RESERVE FUND SURETY BOND	8
RISK FACTORS RELATED TO THE POLICY AND THE DEBT SERVICE RESERVE FUND SURETY BOND	9
SOURCES AND USES OF FUNDS	10
ESTIMATED DEBT SERVICE REQUIREMENTS AND PROJECTED COVERAGE	11
EXCISE TAXES	12
State-Shared Revenues	14
Historical and Projected Excise Tax Revenues and State Shared Revenues	16
DEFINITIONS OF CERTAIN TERMS	16
SUMMARY OF CERTAIN PROVISIONS OF THE FIRST GROUND LEASE AMENDMENT	18
General	18
Assignment	18
SUMMARY OF CERTAIN PROVISIONS OF THE SERIES 2012 TOWN LEASE	19
General	19
Rent	19
Remedies Upon Default	20
Refinancing	21
SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES	22
Pledge and Assignment	22
Establishment of Funds	22
Receipt of Revenues	22
Flow of Funds	22
Application of Bond Proceeds	23
Investment of Funds	23
Additional Bonds	24
Events of Default and Remedies	24
Application of Moneys	25
Termination of Proceedings	26
Waivers of Events of Default	26
Supplemental Indentures	26
Defeasance	27
Payments Due on Saturdays, Sundays and Holidays	28
Provisions Related to the Series 2012 Insurer	28
LITIGATION	28
General	28
Events Center	29

TABLE OF CONTENTS
(continued)

	<u>Page</u>
LEGAL MATTERS	29
TAX MATTERS	30
ORIGINAL ISSUE DISCOUNT.....	31
AMORTIZABLE PREMIUM	31
RATING.....	31
UNDERWRITING	32
POLITICAL CONTRIBUTIONS	32
RELATIONSHIP AMONG PARTIES	32
CONTINUING DISCLOSURE.....	32
FINANCIAL STATEMENTS.....	33
CERTIFICATION CONCERNING OFFICIAL STATEMENT.....	33
CONCLUDING STATEMENT	33
MISCELLANEOUS.....	33
APPENDIX A: TOWN OF PRESCOTT VALLEY, ARIZONA – DEMOGRAPHIC AND ECONOMIC INFORMATION	
APPENDIX B: TOWN OF PRESCOTT VALLEY, ARIZONA – FINANCIAL DATA	
APPENDIX C: TOWN OF PRESCOTT VALLEY, ARIZONA – AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011	
APPENDIX D: FORM OF APPROVING LEGAL OPINION	
APPENDIX E: FORM OF CONTINUING DISCLOSURE UNDERTAKING	
APPENDIX F: BOOK-ENTRY-ONLY SYSTEM	

OFFICIAL STATEMENT

**TOWN OF PRESCOTT VALLEY
MUNICIPAL PROPERTY CORPORATION**

\$5,695,000*
MUNICIPAL FACILITIES REVENUE
REFUNDING BONDS,
SERIES 2012A

\$11,215,000*
MUNICIPAL FACILITIES REVENUE
REFUNDING BONDS,
SERIES 2012B

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, inside front cover page and appendices hereto, has been prepared in connection with the original sale and issuance by the Town of Prescott Valley Municipal Property Corporation (the "Corporation") of \$5,695,000* principal amount of its Municipal Facilities Revenue Refunding Bonds, Series 2012A (the "Series 2012A Bonds") and \$11,215,000* principal amount of its Municipal Facilities Revenue Refunding Bonds, Series 2012B (the "Series 2012B Bonds" and, together with the Series 2012A Bonds, the "Series 2012 Bonds"), identified on the inside front cover page of this Official Statement. Certain information concerning the authorization, purpose, terms, sources of payment and security for the Series 2012 Bonds is contained in this Official Statement. In particular, certain information about the Town of Prescott Valley, Arizona (the "Town"), is included in APPENDICES A and B, and the most recent audited financial statements for the Town are included in APPENDIX C.

References to provisions of federal or State of Arizona (the "State" or "Arizona") law, whether codified or uncodified, are references to those current provisions. Those provisions may be amended, repealed or supplemented.

Capitalized terms not otherwise defined herein are assigned definitions under the subheading "DEFINITIONS OF CERTAIN TERMS."

THE CORPORATION

The Corporation is a nonprofit corporation incorporated pursuant to the laws of the State formed for the purpose of assisting the Town in acquiring, financing, constructing, improving, or equipping tangible real or personal property for any civic, municipal or governmental purpose desired by the Town.

The Corporation is governed by a five-member board of directors (the "Board"), appointed by the Mayor and Common Council of the Town. The officers of the Corporation are elected annually by the Board.

* *Subject to change.*

THE SERIES 2012 BONDS

Authorization

The Series 2012 Bonds are being issued by the Corporation pursuant to a Trust Indenture, dated as of January 1, 1995 (the "Indenture"), as supplemented by a Series 1997 Supplemental Trust Indenture, dated as of October 1, 1997 (the "Series 1997 Supplemental Trust Indenture"), a Series 2003 Supplemental Trust Indenture, dated as of January 1, 2003 (the "First Series 2003 Supplemental Trust Indenture"), a Second Series 2003 Supplemental Trust Indenture, dated as of September 1, 2003 (the "Second Series 2003 Supplemental Trust Indenture"), a Series 2004 Supplemental Trust Indenture, dated as of March 1, 2004 (the "First Series 2004 Supplemental Trust Indenture"), a Second Series 2004 Supplemental Trust Indenture, dated as of December 1, 2004 (the "Second Series 2004 Supplemental Trust Indenture"), a Series 2011 Supplemental Trust Indenture, dated as of August 1, 2011 (the "Series 2011 Supplemental Trust Indenture"), and as further supplemented by a Series 2012 Supplemental Trust Indenture, to be dated as of June 1, 2012* (the "Series 2012 Supplemental Trust Indenture" and together with the Indenture, the Series 1997 Supplemental Trust Supplemental Indenture, the First Series 2003 Supplemental Trust Indenture, the Second Series 2003 Supplemental Trust Indenture, the First Series 2004 Supplemental Trust Indenture, the Second Series 2004 Supplemental Trust Indenture and the Series 2011 Supplemental Trust Indenture, the "Indentures"), from the Corporation to U.S. Bank National Association, as successor to First Trust of Arizona, National Association, as trustee (the "Trustee"). The Series 2012A Bonds will be issued for the purpose of providing funds to refinance certain outstanding sewer revenue-secured obligations of the Town. The Series 2012B Bonds will be issued for the purpose of providing funds to refinance certain outstanding excise tax-secured obligations of the Corporation. See "PLAN OF REFUNDING" herein. The Series 2012 Bonds will also pay the costs and expenses related to the issuance of the Series 2012 Bonds, including a premium for a municipal bond insurance policy and a debt service reserve fund surety bond*.

General Terms

The Series 2012 Bonds will be dated the date of initial authentication and delivery and initially will be registered only in the name of Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") under the book-entry-only system described in APPENDIX F (the "Book-Entry-Only System"). Beneficial ownership interests in the Series 2012 Bonds may be purchased through direct and indirect participants of DTC in amounts of \$5,000 of principal due on a single maturity date or integral multiples thereof. See APPENDIX F—"BOOK-ENTRY-ONLY SYSTEM." The Series 2012 Bonds will mature on the dates and in the principal amounts and bear interest from their dated date at the rates all as set forth on the inside front cover page of this Official Statement. Interest on the Series 2012 Bonds will accrue originally from the dated date of the Series 2012 Bonds and will be payable on January 1, 2013*, and on each July 1 and January 1 thereafter (each an "Interest Payment Date") until maturity or prior redemption.

See "TAX MATTERS," "ORIGINAL ISSUE DISCOUNT" and "AMORTIZABLE PREMIUM" for a discussion of the treatment of the interest on the Series 2012 Bonds for federal income tax purposes.

Redemption Provisions*

Optional Redemption. The Series 2012 Bonds maturing before or on January 1, 20__, will not be subject to redemption prior to their stated maturity date. The Series 2012 Bonds maturing on or after January 1, 20__, may be redeemed prior to maturity, in whole or in part, on any date, in any order of maturity and by lot within any maturity, by the Corporation, at the request of the Town, on or after January 1, 20__, at a redemption price equal to the principal amount thereof plus accrued interest on such principal to the date fixed for redemption, but without premium.

* *Subject to change.*

Mandatory Redemption of the Series 2012A Bonds. The Series 2012A Bonds maturing on January 1, 20__, will be subject to mandatory redemption on January 1 in the years and principal amounts as follows, at a redemption price equal to the principal amount thereof plus interest accrued on such principal to the date of redemption:

Maturity Date (January 1)	Principal Amount
	\$ _____

The final maturity in the amount of \$ _____ will be due January 1, 20__.

Mandatory Redemption of the Series 2012B Bonds. The Series 2012B Bonds maturing on January 1, 20__, will be subject to mandatory redemption on January 1 in the years and principal amounts as follows, at a redemption price equal to the principal amount thereof plus interest accrued on such principal to the date of redemption:

Maturity Date (January 1)	Principal Amount
	\$ _____

The final maturity in the amount of \$ _____ will be due January 1, 20__.

Manner of Selection for Redemption. The Series 2012 Bonds will be redeemed only in principal amounts of \$5,000 each or integral multiples thereof. The Corporation, at the request of the Town, will, at least 45 days prior to the redemption date, notify the Trustee of such redemption date and of the maturities of the Series 2012 Bonds and the principal amount of the Series 2012 Bonds of any such maturity to be redeemed on such date. For the purposes of any redemption of less than all of the Series 2012 Bonds of a single maturity, the particular Series 2012 Bonds or portions of the Series 2012 Bonds to be redeemed shall be selected through the procedures of DTC.

Notice of Redemption. Redemption notices will be sent only to DTC by electronic media, not more than 45 nor less than 30 days prior to the date set for redemption. See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.” Such notice will state that if, on the specified redemption date, moneys for redemption of all the Series 2012 Bonds to be redeemed together with interest to the date of redemption, is held by the Trustee, then, from and after said date of redemption, interest with respect to the Series 2012 Bonds will cease to accrue and become payable and that if such moneys are not so held, the redemption will not occur.

Effect of Redemption. On the date designated for redemption, the Series 2012 Bonds or portions thereof to be redeemed will become and be due and payable at the redemption price for such Series 2012 Bonds or portions thereof, and, if moneys for payment of the redemption price are held in a separate account by the Trustee as bond registrar and paying agent, interest on such Series 2012 Bonds or portions thereof to be redeemed will cease to accrue, such Series 2012 Bonds or portions thereof will cease to be entitled to any benefit or security under the Indentures, the owners of such Series 2012 Bonds or portions thereof will have no rights in respect thereof except to receive payment of the redemption price thereof and such Series 2012 Bonds or portions thereof will be deemed paid and no longer outstanding. DTC’s practice is to determine by lot the amount of each Direct Participant’s proportionate share (as defined in APPENDIX F – “BOOK-ENTRY-ONLY SYSTEM”) to be redeemed.

* *Subject to change.*

Redemption of Less than All of a Bond. The Corporation may redeem any amount which is included in a Series 2012 Bond in the denomination equal to or in excess of, but divisible by, \$5,000. In the event of a partial redemption, the Series 2012 Bond will be redeemed in accordance with DTC's procedures. In the event of a partial redemption after the Book-Entry-Only System is discontinued, the registered owner will submit the Series 2012 Bond for partial redemption and the Trustee will make such partial payment and will cause to be issued a new Series 2012 Bond in a principal amount which reflects the redemption so made, to be authenticated and delivered to the registered owner thereof.

Registration and Transfer When Book-Entry-Only System Has Been Discontinued

If the Book-Entry-Only System is discontinued, the Series 2012 Bonds will be transferred only upon the bond register maintained by the Trustee and one or more new Series 2012 Bonds, registered in the name of the transferee, of the same principal amount, maturity and rate of interest as the surrendered Series 2012 Bond or Series 2012 Bonds will be authenticated, upon surrender to the Trustee of the Series 2012 Bond or Series 2012 Bonds to be transferred, together with an appropriate instrument of transfer executed by the transferor if the Trustee's requirements for transfer are met. The Corporation and the Town has chosen the fifteenth day of the month preceding an interest payment date as the "Record Date" for the Series 2012 Bonds. The Trustee may, but is not required to, transfer or exchange any Series 2012 Bonds during the period from the Record Date to and including the respective Interest Payment Date. The Trustee may, but is not required to, transfer or exchange any Series 2012 Bonds which have been selected for prior redemption.

The transferor will be responsible for all transfer fees, taxes, fees and any other costs relating to the transfer of ownership of individual Series 2012 Bonds.

PLAN OF REFUNDING

The proceeds of the sale of the Series 2012 Bonds, together with any amounts to be contributed by the Corporation or the Town for such purpose, remaining after payment of certain costs of issuance will be placed in a separate fund (the "Trust") with U.S. Bank National Association, as escrow trustee, pursuant to an Escrow Trust Agreement, to be dated as of June 1, 2012* (the "Escrow Trust Agreement"), to be applied to the payment of the Bonds Being Refunded as identified below. Such funds will be used to acquire direct obligations of the United States of America which are noncallable (the "Government Obligations"), the maturing principal of and interest income with respect to which are calculated to be sufficient, along with certain cash held pursuant to the Escrow Trust Agreement or, for the sewer revenue-secured bonds, contributed by the Corporation or Town, to pay debt service on the Bonds Being Refunded until their maturity or redemption on the dates specified below, and to pay or redeem the Bonds Being Refunded on such dates (such transaction hereinafter referred to as the "Refunding"). See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

Schedule of Bonds Being Refunded by the Series 2012A Bonds*

Issue Series	Maturity Date	Coupon	Principal Amount Outstanding	Bonds Being Refunded	Redemption Date (January 1)	Redemption Premium (as a Percentage of Principal)	CUSIP® ⁽¹⁾ No. 74080R
Sewer Revenue	1/1/2013	4.000%	\$500,000	\$500,000	N/A	0.0%	AL2
Refunding Bonds, Series 2003	1/1/2014	4.000	515,000	515,000	2013	0.0	AM0
	1/1/2015	4.000	530,000	530,000	2013	0.0	AN8
	1/1/2016	4.000	555,000	555,000	2013	0.0	AP3
	1/1/2017	4.100	580,000	580,000	2013	0.0	AQ1
	1/1/2018	4.200	605,000	605,000	2013	0.0	AR9
	1/1/2019	4.250	630,000	630,000	2013	0.0	AS7
	1/1/2020	4.400	660,000	660,000	2013	0.0	AT5
	1/1/2021	4.500	690,000	690,000	2013	0.0	AU2
	1/1/2022	5.000	725,000	725,000	2013	0.0	AV0
	1/1/2023	5.000	770,000	770,000	2013	0.0	AV0
			<u>\$6,760,000</u>	<u>\$6,760,000</u>			

Schedule of Bonds Being Refunded by the Series 2012B Bonds*

Issue Series	Maturity Date	Coupon	Principal Amount Outstanding	Bonds Being Refunded	Redemption Date (January 1)	Redemption Premium (as a Percentage of Principal)	CUSIP® ⁽¹⁾ No. 74080P
Municipal Facilities	1/1/2013	3.600%	\$625,000	\$625,000	N/A	0.0%	DX7
Revenue Refunding Bonds, Second Series 2004	1/1/2014	3.625	650,000	650,000	N/A	0.0	DY5
	1/1/2015	3.750	670,000	670,000	2014	0.0	DZ2
	1/1/2016	3.875	700,000	700,000	2014	0.0	EA6
	1/1/2017	4.000	725,000	725,000	2014	0.0	EB4
	1/1/2018	4.125	755,000	755,000	2014	0.0	EC2
	1/1/2019	4.125	790,000	790,000	2014	0.0	ED0
	1/1/2020	4.200	820,000	820,000	2014	0.0	EE8
	1/1/2025	4.500	4,705,000	4,705,000	2014	0.0	EF5
			<u>\$10,440,000</u>	<u>\$10,440,000</u>			

Upon delivery of the Series 2012 Bonds and the deposit of proceeds into the Trust, the Bonds Being Refunded by the Series 2012A Bonds will no longer be outstanding and will not be secured by sewer revenues and the Bonds Being Refunded by the Series 2012B Bonds will no longer be outstanding and will not be secured by Excise Taxes.

* Subject to change.

⁽¹⁾ See footnote ⁽¹⁾ to the inside front cover page.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Grant Thornton LLP, a firm of independent certified public accountants, will deliver to the Corporation, on or before the issue date of the Series 2012 Bonds, its verification report indicating, among other things, that it has verified, in accordance with standards for attestation engagements established by the American Institute of Certified Public Accountants, the mathematical accuracy of (a) the sufficiency of the anticipated receipts from the Government Obligations, together with the initial cash deposit, to pay, when due, the principal of, interest and applicable premiums, if any, on the Bonds Being Refunded and (b) the yields on the Government Obligations and the Series 2012 Bonds.

The verification performed by Grant Thornton LLP will be solely based upon data, information and documents provided to Grant Thornton LLP by the Corporation and its representatives. Grant Thornton LLP has restricted its procedures to recalculating the computations provided by the Corporation and its representatives and has assumed the accuracy of the data, information and documents used in the computations.

SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2012 BONDS

Generally

Prior to the delivery of the Series 2012 Bonds, the Town and the Corporation will enter into a First Amendment to the Second Series 2004 Ground Lease, to be dated as of June 1, 2012* (the "First Ground Lease Amendment"), pursuant to which the Town will extend the lease of certain real property to the Corporation (the "Real Property"). The Real Property will then be leased back to the Town by the Corporation pursuant to a Series 2012 Town Lease, to be dated as of June 1, 2012* (the "Series 2012 Town Lease"). Pursuant to the Series 2012 Town Lease, the Town, as agent for the Corporation will provide for the Refunding. The rental payments required to be paid by the Town as rental for the Real Property (hereinafter sometimes referred to as the "Leased Property") will be segregated semiannually and paid to the Trustee, as assignee of the Corporation, until the payment of the Series 2012 Bonds in full.

Pursuant to the Series 2012 Town Lease, the Town will pay to the Corporation semiannual rental payments which, when accumulated, will be sufficient to meet the principal and interest requirements of the Series 2012 Bonds as well as all taxes, charges and expenses imposed upon the Corporation and its property, operations or income, with respect to the Leased Property, making the rental payments under the Series 2012 Town Lease a net return to the Corporation. The Town will pledge for the payment of the rental payments under the Series 2012 Town Lease all Excise Taxes (as that term is hereinafter defined), such resulting pledge and lien, together with any pledge and lien made or to be made on a parity therewith as described in the Series 2012 Town Lease, being a first lien and pledge upon such amounts of the Excise Taxes on a parity with the Town's pledge and lien granted by the Town to the Corporation pursuant to a First Series 2004 Town Lease, dated as of March 1, 2004 (the "First Series 2004 Town Lease"), a Second Series 2004 Town Lease, dated as of December 1, 2004 (the "Second Series 2004 Town Lease") and a Series 2011 Town Lease, dated as of August 1, 2011 (the "Series 2011 Town Lease" and, together with the Second Series 2004 Town Lease and the First Series 2004 Town Lease, and the Series 2012 Town Lease, together the "Town Leases").

For purposes of the Town Leases, "Excise Taxes" means all transaction privilege (sales), other transaction privilege, franchise, excise and income taxes which the Town now collects, which the Town may collect in the future, or which are allocated or apportioned to the Town by the State or any political subdivision thereof, or by any other governmental unit or agency, EXCEPT (a) the Town's share of such taxes which by State law, rule or regulation must be expended for other purposes, such as the motor vehicle fuel tax. The Town will first make all rental payments accruing under the Town Leases out of the aforesaid Excise Taxes and thereafter may use the remaining Excise Taxes for any other lawful purpose, but only to the extent that, taking into account the reasonably anticipated receipts during the coming semiannual period, such Excise Taxes will not be reduced to such a level that the Town

* *Subject to change.*

will be unable to make the next semiannual rental payment under the Town Leases. The Town is not obligated to pay rental payments from any source other than the Excise Taxes. The Town may, at the Town's sole option, make rental payments from other funds as permitted by law and as the Town may determine from time to time.

The Town further agrees pursuant to the Town Leases that, to the extent permitted by law, the Excise Taxes will be retained and maintained so that the amount of all such Excise Taxes received within and for the next preceding fiscal year, will be equal to at least two (2) times the rental payments payable pursuant to the Town Leases in any current fiscal year of the Town. Further, the Town will agree that if such Excise Tax receipts for any such preceding fiscal year are not equal to two (2) times the aggregate rental payment requirements of any current fiscal year or if at any time it appears that the current receipts will not be sufficient to meet the aggregate rental payment requirements pursuant to the Town Leases, the Town will impose new excise and franchise taxes or will increase the rates of the Excise Taxes currently imposed in order that (i) the current receipts will be sufficient to meet all current rental payment requirements pursuant to the Town Leases 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 under the Town Leases.

Pursuant to the Town Leases, the Town also agrees that, so long as the Series 2012 Bonds and the obligations of the Corporation listed below (collectively with the Series 2012 Bonds and any Additional Bonds, the "Bonds") remain outstanding and, the principal thereof and interest thereon shall be unpaid or unprovided for, the Town will not further encumber the Excise Taxes pledged under the Town Leases on a basis equal to the lien and pledge contained therein unless, among other things, the Excise Taxes collected in the next preceding fiscal year shall have amounted to at least two and one-half (2½) times the highest combined interest and principal requirements for any succeeding twelve (12) month period for the Bonds then outstanding and any Additional Bonds so proposed to be secured by a pledge of the Excise Taxes:

Original Principal Amount	Issue	Outstanding Principal Amount	Defined Term
\$14,365,000	Municipal Facilities Revenue Refunding Bonds, Series 2011	\$14,270,000	(the "Series 2011 Bonds")
14,300,000	Municipal Facilities Revenue Bonds, Second Series 2004	None* (a)	(the "Second Series 2004 Bonds")
6,420,000	Municipal Facilities Revenue Refunding Bonds, Series 2004	4,075,000	(the "First Series 2004 Bonds")

* *Subject to change.*

(a) *Net of the Bonds Being Refunded.*

THE BONDS AND THE RENTAL PAYMENTS UNDER THE TOWN LEASES WILL NOT CONSTITUTE AN INDEBTEDNESS OR GENERAL OBLIGATION OF THE TOWN NOR WILL THE TOWN BE LIABLE FOR THE PAYMENT FROM *AD VALOREM* PROPERTY TAXES OF THE RENTAL PAYMENTS OR PRINCIPAL OF AND INTEREST ON THE BONDS. PURSUANT TO THE INDENTURES, THE BONDS WILL BE SPECIAL OBLIGATIONS OF THE CORPORATION AND THE BOND SERVICE CHARGES THEREON, AND ON ANY ADDITIONAL BONDS, ARE AND WILL BE PAYABLE SOLELY FROM THE RENTAL PAYMENTS MADE PURSUANT TO THE TOWN LEASES. THE BONDS DO NOT AND WILL NOT REPRESENT OR CONSTITUTE A DEBT OR A DIRECT OR INDIRECT PLEDGE OF THE FULL FAITH AND CREDIT OF THE TOWN OR THE STATE OR OF ANY POLITICAL SUBDIVISION, MUNICIPALITY OR OTHER AGENCY THEREOF. THE CORPORATION HAS NO TAXING POWER.

Additional Bonds

The Corporation may issue Additional Bonds from time to time for any purpose permitted by the Indentures. Such Additional Bonds may be on a parity with the Bonds and any Additional Bonds hereafter issued and outstanding as to the assignment to the Trustee of the Corporation's right, title and interest in the Town Leases and moneys in the accounts of the funds created in the Indentures; provided, that nothing shall prevent payment of Bond Service Charges on any series of Additional Bonds from (i) being otherwise secured and protected from sources or by property or instruments not applicable to the Bonds and any one or more series of Additional Bonds or (ii) not being secured or protected from sources or by property or instruments applicable to the Bonds or any one or more series of Additional Bonds. The issuance of such Additional Bonds is subject to certain specific conditions which are set forth in the Indentures. For further information relating to the issuance of Additional Bonds, see "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES -- *Additional Bonds*" herein.

Reserve Fund

The Indenture establishes a Reserve Fund for payment of principal of and interest on the Bonds and requires specifically that the Reserve Fund be maintained at the Reserve Requirement for the Series 2012 Bonds. The Reserve Fund may be funded with either cash or Qualified Surety Bonds. The Reserve Fund contains the Qualified Surety Bonds for the First Series 2004 Bonds and the Second Series 2004 Bonds, proceeds of the sale of the Series 2011 Bonds to satisfy the Reserve Requirement for the Series 2011 Bonds, and will be funded with \$_____* of proceeds of the sale of the Series 2012 Bonds to satisfy the Reserve Requirement for the Series 2012 Bonds. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – Flow of Funds -- Reserve Fund."

BOND INSURANCE

Application has been made to Assured Guaranty Municipal Corp. (the "Insurer" or the "Series 2012 Insurer") for a municipal bond insurance policy (the "Policy") to guarantee the scheduled payments of principal of and interest on the Series 2012 Bonds. A commitment to provide the Policy has not been issued, and representatives of the Town have yet to determine whether, if such commitment is issued, the Policy will be purchased.

DEBT SERVICE RESERVE FUND SURETY BOND

Application has also been made to the Insurer for a commitment to issue a surety bond (the "Debt Service Reserve Fund Surety Bond" and, with the Policy, the "Guarantees"). A commitment to provide the Debt Service Reserve Fund Surety Bond has not been requested, and representatives of the Town have yet to determine whether, if such surety is issued, the Debt Service Reserve Fund Surety Bond will be purchased. The Debt Service Reserve Fund Surety Bond will provide that upon notice from the Trustee to the Insurer to the effect that insufficient amounts are on deposit in the Bond Retirement Fund to pay the principal of (at maturity or pursuant to mandatory redemption requirements) and interest on the Series 2012 Bonds, the Insurer will promptly deposit with the Trustee an amount sufficient to pay the principal of and interest on the Series 2012 Bonds or the available amount of the Debt Service Reserve Fund Surety Bond, whichever is less. Upon the later of: (i) three (3) days after receipt by the Insurer of a Demand for Payment in the form attached to the Debt Service Reserve Fund Surety Bond, duly executed by the Trustee; or (ii) the payment date of the Series 2012 Bonds as specified in the Demand for Payment presented by the Trustee to the Insurer, the Insurer will make a deposit of funds in an account with the Trustee, or its successor, sufficient for the payment to the Trustee, of amounts which are then due to the Trustee (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

* *Subject to change.*

The available amount of the Debt Service Reserve Fund Surety Bond is the initial face amount of the Debt Service Reserve Fund Surety Bond less the amount of any previous deposits by the Insurer with the Trustee which have not been reimbursed by the Corporation. The Corporation and the Insurer will enter into a Financial Guaranty Agreement, to be dated June 1, 2012* (the "Agreement"). Pursuant to the Agreement, the Corporation will be required to reimburse the Insurer, within one year of any deposit, the amount of such deposit made by the Insurer with the Trustee under the Debt Service Reserve Fund Surety Bond. Such reimbursement will be made only after all required deposits to the Debt Service Fund have been made.

Under the terms of the Agreement, the Trustee will be required to reimburse the Insurer, with interest, until the face amount of the Debt Service Reserve Fund Surety Bond is reinstated before any deposit is made to the Bond Retirement Fund. No optional redemption of the Series 2012 Bonds may be made until the Insurer's Debt Service Reserve Fund Surety Bond is reinstated. The Debt Service Reserve Fund Surety Bond will be held by the Trustee in the Debt Service Reserve Fund and will be provided as an alternative to the Corporation depositing funds equal to the Reserve Requirement for outstanding Series 2012 Bonds. The Debt Service Reserve Fund Surety Bond will be issued in the face amount equal to Maximum Annual Debt Service for the Series 2012 Bonds and the premium therefor will be fully paid by the Corporation at the time of delivery of the Series 2012 Bonds.

RISK FACTORS RELATED TO THE POLICY AND THE DEBT SERVICE RESERVE FUND SURETY BOND

If the Guarantees are purchased, the following are risk factors:

In the event of default of the payment of principal of or interest on any of the Series 2012 Bonds when all or some becomes due and the unavailability of amounts in the Reserve Fund, any owner of the Series 2012 Bonds on which such principal or interest was not paid will have a claim under the Policy for such payments. In the event the Series 2012 Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Series 2012 Bonds will remain payable solely from the sources described under "SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2012 BONDS." In the event the Series 2012 Insurer becomes obligated to make payments with respect to the Series 2012 Bonds, no assurance will be given that such event will not adversely affect the market price of the Series 2012 Bonds and the marketability (liquidity) for the Series 2012 Bonds.

The long-term insured ratings on the Series 2012 Bonds will be dependent in part on the financial strength of the Series 2012 Insurer and its claim paying ability. The Series 2012 Insurer's financial strength and claims paying ability will be predicated upon a number of factors which could change over time. No assurance will be given that the long-term rating of the Series 2012 Bond Insurer and of the rating on the Series 2012 Bonds insured by the Series 2012 Insurer will not be subject to downgrade, and such event could adversely affect the market price of the Series 2012 Bonds and the marketability (liquidity) for the Series 2012 Bonds.

The obligations of the Series 2012 Insurer with respect to the Guarantees will be general obligations of the Series 2012 Insurer, and in an event of default by the Series 2012 Insurer, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

None of the Town, the Underwriter, or their respective counsel, agents or consultants has made independent investigation into the claims paying ability of the Series 2012 Insurer, and no assurance or representation regarding the financial strength or projected financial strength of the Series 2012 Insurer will be given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Town to pay principal of and interest on the Series 2012 Bonds and the claims paying ability of the Series 2012 Insurer, particularly over the life of the investment.

* *Subject to change.*

SOURCES AND USES OF FUNDS

Sources of Funds			
	Series 2012A Bonds	Series 2012B Bonds	Total
Principal Amount	\$5,695,000.00*	\$11,215,000.00*	\$16,910,000.00*
Net Original Issue Premium (a)			
Town Cash Contribution			
Total Sources of Funds			
Uses of Funds			
Deposit to the Trust for the Refunding			
Deposit to Reserve Fund			
Deposit to the Series 2012 Interest Account			
Costs of Issuance (b)			
Total Uses of Funds			

* *Subject to change.*

- (a) *Net premium consists of original issue premium on the Series 2012 Bonds less original issue discount (if any) with respect to the Series 2012 Bonds.*
- (b) *Will include premium on the Policy or Debt Service Reserve Fund Surety Bond, if any, with respect to the Series 2012 Bonds and Underwriter's compensation.*

ESTIMATED DEBT SERVICE REQUIREMENTS AND PROJECTED COVERAGE

The following table sets forth the amounts required to pay annual debt service on the First Series 2004 Bonds, Second Series 2004 Bonds and Series 2011 Bonds currently outstanding (net of the Bonds Being Refunded) and the estimated annual debt service on the Series 2012 Bonds.

TABLE 1

**Schedule of Estimated Annual Debt Service Requirements and Projected Coverage (a)*
Town of Prescott Valley Municipal Property Corporation**

Fiscal Year	Pledged Excise Taxes (c)	Outstanding Bonds (b)		The Series 2012A Bonds		The Series 2012B Bonds		Estimated Combined Debt Service	Projected Coverage
		Principal	Interest	Principal*	Estimated Interest (d)	Principal*	Estimated Interest (d)		
2011/12	\$ 17,466,389	\$ 1,545,000	\$ 1,091,798					\$ 2,636,798	6.62 x
2012/13		1,005,000	828,303	\$ 600,000	\$ 173,958 (e)	\$ 355,000	\$ 391,563 (e)	3,353,824	5.21
2013/14		1,080,000	791,344	445,000	154,738	195,000	368,763	3,034,844	5.76
2014/15		1,165,000	747,925	450,000	143,550	745,000	357,013	3,608,488	4.84
2015/16		1,260,000	697,720	465,000	132,113	765,000	338,138	3,657,970	4.77
2016/17		1,370,000	643,970	480,000	119,100	785,000	316,800	3,714,870	
2017/18		1,470,000	584,464	495,000	104,475	805,000	292,950	3,751,889	
2018/19		830,000	531,558	510,000	89,400	835,000	268,350	3,064,308	
2019/20		930,000	487,558	530,000	72,475	855,000	240,863	3,115,895	
2020/21		1,035,000	439,985	550,000	53,575	895,000	210,238	3,183,798	
2021/22		1,155,000	388,231	570,000	33,975	925,000	178,388	3,250,594	
2022/23		1,280,000	330,400	600,000	12,000	955,000	143,100	3,320,500	
2023/24		1,420,000	264,500			995,000	104,100	2,783,600	
2024/25		1,570,000	189,750			2,105,000	42,100	3,906,850	4.47
		<u>\$ 17,115,000</u>		<u>\$ 5,695,000</u>		<u>\$ 11,215,000</u>			

* Subject to change.

(a) Prepared by the Underwriter.

(b) Net of the Bonds Being Refunded.

(c) The amount of Excise Taxes used to calculate the coverage requirements for existing and projected debt service is the audited amount for fiscal year 2010/11. See TABLE 5 – “EXCISE TAXES – Historical and Projected Excise Tax Collections.”

(d) Interest is estimated at 3.0% for the Series 2012 Bonds.

(e) The first interest payment on the Series 2012 Bonds will be due on January 1, 2013*. Thereafter, interest payments will be made semiannually on July 1 and January 1 until the final maturity or prior redemption of the Series 2012 Bonds.

EXCISE TAXES

The Excise Taxes will be pledged to payment of rental payments pursuant to the Series 2012 Town Lease which are used to pay debt service on the Series 2012 Bonds. The major categories of such revenues are discussed more fully below.

NO ASSURANCES CAN BE GIVEN THAT THE AMOUNT OF STATE SHARED SALES TAXES OR STATE SHARED INCOME TAXES DESCRIBED HEREINBELOW WILL NOT BE REDUCED OR ELIMINATED BY THE STATE LEGISLATURE IN THE FUTURE. SEE "POSSIBLE LEGISLATIVE OR INITIATIVE MEASURES."

Town Sales Taxes. The Town's unrestricted transaction privilege (sales) tax is levied by the Town upon persons and entities on account of their business activities within the Town. The amount of tax due is calculated by applying the tax rate against the gross proceeds of sales or gross income derived from the business activities shown in the table below.

TABLE 2
TRANSACTION PRIVILEGE (SALES) TAX RATES BY CATEGORY

<u>Category</u>	<u>Rate</u>
Advertising	2.33%
Amusements	2.33
Contracting	2.33
Job Printing	2.33
Manufactured buildings	2.33
Timbering	2.33
Publishing	2.33
Hotel/Motel Lodging	2.33
Rental – Personal Property	2.33
Rental – Transient Lodging	2.33
Restaurants/Bars	2.33
Retail – Sales	2.33
Telecommunications	2.33
Transportation for Hire	2.33
Utilities	2.33
Wastewater Collection and Treatment	2.33
Use Tax	2.33

The following table shows the amounts of the Town's unrestricted transaction privilege (sales) tax collections by industry classification for fiscal years 2006/07 through and including 2010/11, projected collections for fiscal year 2011/12 and budgeted collections for fiscal year 2012/13.

TABLE 3
TRANSACTION PRIVILEGE (SALES) TAX COLLECTIONS
BY INDUSTRY CLASSIFICATION (a)

Industry Classification	Actual					Projected 2011/12 (b)	Budgeted 2012/13 (b)
	2006/07	2007/08	2008/09	2009/10	2010/11		
Mining	\$ 53	\$ 30	\$ 97	\$ 35	\$ 1,006	\$ 4,627	\$ 127
Construction	4,528,174	2,836,996	1,783,434	1,015,288	586,972	746,406	768,798
Manufacturing	453,093	428,751	379,823	262,357	240,828	254,834	258,657
Transportation, communication, utilities	1,350,309	1,504,095	1,334,285	1,432,800	1,410,446	1,449,251	1,470,990
Wholesale	163,389	190,936	157,532	233,362	236,117	220,519	226,032
Retail	5,723,780	5,141,365	5,318,986	5,406,340	5,578,893	5,911,543	6,088,889
Restaurant/bars	913,840	956,567	947,387	911,260	900,239	922,884	950,570
Finance, insurance, real estate	455,771	449,552	361,874	277,369	299,504	297,008	297,008
Hotels	154,804	163,494	152,647	207,788	229,591	245,309	252,668
Services	479,565	437,841	356,907	351,574	344,008	402,550	412,614
Government	114,890	137,326	270,020	253,351	273,425	293,721	293,721
Others	246,804	104,093	49,440	48,034	107,941	56,928	56,928
Town sales tax audit	236,772	149,136	56,675	73,549	32,345	35,500	40,000
Total	\$14,821,244	\$12,500,182	\$11,169,107	\$10,473,107	\$10,241,313	\$10,841,080	\$11,117,002

(a) *Due to the Town's participation in the Arizona Department of Revenue ("ADOR") sales tax collection program and ADOR's reporting of collections on a cash basis, the totals represented here may differ from the amounts shown for Town Sales Tax Collections in TABLE 5.*

(b) *These figures are projected and budgeted amounts, respectively, and as such are "forward-looking" statements which should be considered with an abundance of caution.*

Franchise Fees. The Town imposes and collects franchise fees to engage in certain activities within the Town and the right to utilize certain Town property.

Business Licenses. The Town imposes and collects fees for licenses to engage in certain activities within the Town and the right to utilize certain Town property. Those entities transacting more than one type of business are required to have a separate business license for each activity. The Town has the authority and ability to set the charge for the business license at whatever rate it determines.

Permits. The Town imposes and collects fees for permits to engage in certain activities within the Town and the right to utilize certain Town property.

Parks and Recreation Fees. The Town imposes and collects fees for parks and recreation.

Fines and Forfeitures. The Town imposes and collects fines and forfeitures for violations of State laws or Town ordinances relating to traffic, parking, animal control and other offenses.

State-Shared Revenues

From time to time, bills are introduced in, and legislation enacted by, the Arizona Legislature to change the formulas used to allocated the State-Shared Sales Taxes, State-Shared Income Taxes and State-shared vehicle license tax, including proposed adjustments that would reduce the distribution to cities and towns. The possibility of changes in this respect are more likely to be adverse to the Town when the State is experiencing financial difficulties. The Town cannot determine whether any such measures will become law or how they might affect the revenues which comprise the State-shared revenues. In addition, initiative measures are circulated from time to time seeking to place on the ballot changes in Arizona law which would repeal or modify state sales taxes, state income taxes (the major source of funds for state revenue sharing) and vehicle license taxes. The Town cannot predict if any such initiative measures will ever actually be submitted to the electors, what form the measures might take or the outcome of any such election.

State Shared Income Taxes. Under current State law, Arizona cities and towns are preempted from imposing a local income tax. Cities and towns are, however, entitled by statutory formula to receive typically 15.0% of the net revenues of the State's personal and corporate income tax collections for the fiscal year which is two fiscal years prior to the current fiscal year. Distribution of such funds is made monthly based on the proportion of each city's or town's population to the total population of all incorporated cities and towns in the State as determined by the latest census. Reduced economic activity or reductions in the statutory formula share could adversely affect the Town's revenues.

State-Shared Sales Taxes. Pursuant to statutory formula, cities and towns in Arizona receive a portion of the State-levied transaction privilege (sales) tax. The State transaction privilege (sales) tax is levied against the same categories of business activity as the Town's transaction privilege (sales) tax with the exception of food sales, which the State exempts from tax. As TABLE 4 indicates, the rate of taxation by the State varies among the different types of business activities taxed, with the most common effective rate being subject to the hereinafter described distribution share being 5.00% of the amount or volume of business transacted.

Under current State law, the aggregate amount distributed to all Arizona cities and towns is equal to 25.0% of the "distribution share" of revenues attributable to each category of taxable activity. The allocation of each city and town of the revenues available to all cities and towns is based on their population relative to the aggregate population of all cities and towns as shown by the latest decennial or special census. State-levied transaction privilege (sales) taxes are collected by the State and are distributed monthly to cities and towns.

TABLE 4
STATE SALES TAX
TAXABLE ACTIVITIES, TAX RATES AND DISTRIBUTION SHARE

Taxable Activities	State Transaction Privilege (Sales) Tax Rates				
	State Tax Rate	Distribution Base	0.60% Education Tax Rate (a)	1.00% Temporary Tax Rate (b)	Combined Tax Rate
Transporting	5.000%	20.00%	0.60%	1.00%	6.600%
Utilities	5.000	20.00	0.60	1.00	6.600
Telecommunications	5.000	20.00	0.60	1.00	6.600
Pipeline	5.000	20.00	0.60	1.00	6.600
Private car line	5.000	20.00	0.60	1.00	6.600
Publication	5.000	20.00	0.60	1.00	6.600
Job printing	5.000	20.00	0.60	1.00	6.600
Prime contracting	5.000	20.00	0.60	1.00	6.600
Owner builder sales	5.000	20.00	0.60	1.00	6.600
Amusement	5.000	40.00	0.60	1.00	6.600
Restaurant	5.000	40.00	0.60	1.00	6.600
Personal property rental	5.000	40.00	0.60	1.00	6.600
Retail (excluding food sales)	5.000	40.00	0.60	1.00	6.600
Transient lodging	5.500	50.00	N/A	1.00	6.500
Mining - non-metal, oil/gas	3.125	32.00	N/A	N/A	3.125
Commercial lease	0.000	53.33	N/A	N/A	0.000
Severance - metalliferous mining	2.500	80.00	N/A	N/A	2.500
Use tax utilities	5.000	20.00	0.60	1.00	6.600
Jet fuel use tax	(c)	40.00	N/A	N/A	(c)

N/A = Not applicable.

- (a) Represents the State transaction privilege (sales) tax rate approved by voters of the State in November 2000 (the “Education Tax”) on certain of the categories of business activity at six-tenths of one percent (0.6%). **The Education Tax collections are dedicated exclusively to education and are not distributed to the Town or pledged to the payment of debt service with respect to the Series 2012 Bonds.** The effective dates for the Education Tax are June 1, 2001 through June 30, 2021.
- (b) Represents the State transaction privilege (sales) tax rate approved by voters of the State on May 18, 2010 (the “Temporary Tax”) on certain of the categories of business activity at one percent (1.0%). Two-thirds of the Temporary Tax collections are dedicated exclusively to primary and secondary education and the remaining one-third is dedicated exclusively to health and human services and public safety purposes. **The Temporary Tax is not distributed to the Town or pledged to the payment of debt service with respect to the Series 2012 Bonds.** The effective dates for the Temporary Tax are June 1, 2010 through May 31, 2013.
- (c) Does not include \$0.0305 per gallon State tax on the retail sale of jet fuel, which tax is only levied on the first ten million gallons sold to each purchaser in each calendar year.

Source: Arizona Department of Revenue.

Historical and Projected Excise Tax Revenues and State Shared Revenues

The following table sets forth the Town's actual Excise Tax collections for fiscal years 2006/07 through and including 2010/11, projected collections for fiscal year 2011/12 and budgeted collections for fiscal year 2012/13.

TABLE 5

HISTORICAL AND PROJECTED EXCISE TAX COLLECTIONS (a)

Category	Actual					Projected 2011/12 (b)	Budgeted 2012/13 (b)
	2006/07	2007/08	2008/09	2009/10	2010/11		
Town sales tax	\$ 14,821,243	\$ 12,500,181	\$ 11,172,000	\$ 10,473,107	\$ 10,241,313	\$ 10,841,080	\$ 11,117,002
State-Shared Sales Taxes	3,191,209	3,085,676	2,671,333	2,463,915	2,603,320	2,985,000	3,246,305
State-Shared Income Taxes	3,811,960	4,725,011	5,006,330	4,334,885	3,267,948	3,276,500	3,965,224
Licenses and Permits (c)	1,563,517	1,128,801	884,331	721,332	678,599	915,000	892,500
Fines and forfeitures	551,478	673,351	779,386	623,565	675,209	681,800	691,000
Total	\$ 23,939,407	\$ 22,113,020	\$ 20,513,380	\$ 18,616,804	\$ 17,466,389	\$ 18,699,380	\$ 19,912,031

(a) *The Series 2012 Bonds will be secured by a first lien and pledge on the Excise Taxes. See "SECURITY FOR AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS – Generally."*

Due to the Town's participation in the ADOR sales tax collection program and ADOR's reporting of collections on a cash basis, the totals represented here may differ from the amounts shown for Transaction Privilege (Sales) Tax Collections in TABLE 3.

(b) *Figures for fiscal years 2011/12 and 2012/13 are from projected and budgeted information, respectively, and, as such are "forward-looking" statements that should be considered with an abundance of caution.*

(c) *Includes franchise fees.*

DEFINITIONS OF CERTAIN TERMS

The following are certain terms used in the Indentures and in this Official Statement and not otherwise defined herein.

"*Additional Bonds*" means obligations (including bonds) in addition to the Series 2012 Bonds, the Series 2011 Bonds, the Second Series 2004 Bonds and the First Series 2004 Bonds which may be issued under the Indentures.

"*Annual Debt Service Requirement*" means for any fiscal year the amount to be paid in such year with respect to the Bonds for payment of principal of (whether at maturity or because of mandatory redemption) and interest on the Bonds during such year.

"*Bondowner*" shall have the same meaning as Owner.

"*Bond Payment Date*" means any Principal Payment Date or Interest Payment Date.

"*Bond Resolution*" means (a) when used with reference to the Series 2012 Bonds, the resolution providing for their issuance and the approving of the First Ground Lease Amendment, the Series 2012 Town Lease, the Series 2012 Supplemental Indenture and related matters; (b) when used with reference to an issue of Additional Bonds, the resolution providing for the issuance of the Additional Bonds, to the extent applicable, and the resolution providing for the issuance of the Additional Bonds and the approving of any amendment or supplement to the Town Leases,

any Supplemental Indenture and related matters; and (c) when used with reference to Series 2012 Bonds when Additional Bonds are outstanding, the resolution providing for the issuance of the refunding bonds and the resolution providing for the issuance of then outstanding and then to be issued Additional Bonds, in each case as amended or supplemented from time to time.

“*Bond Retirement Fund*” means the Bond Retirement Fund established pursuant to the Indentures.

“*Bond Service Charges*” means, for any period of time, the principal of and interest due on the Bonds for that period or payable at that time, as the case may be.

“*Bonds outstanding*” shall have the same meaning as Outstanding Bonds herein.

“*Eligible Investments*” means, with respect to the Series 2012 Bonds and to the extent permitted by applicable law, the investments described in the Series 2012 Supplemental Trust Indenture.

“*Event of Bankruptcy*” means the filing of a petition in bankruptcy by or against the specified Person under the United States Bankruptcy Code.

“*Interest Fund*” means the Interest Fund established pursuant to the Indentures.

“*Interest Payment Date*” or “*Interest Payment Dates*” means, as to the Series 2012 Bonds, January 1 and July 1 of each year, commencing January 1, 2013*, and as to Additional Bonds, each date or dates designated as an Interest Payment Date or Dates in the form of bond for which provision is made in the applicable Supplemental Indenture or Bond Resolution.

“*Maximum Annual Debt Service Requirement*” means, at the time of computation, the greatest Annual Debt Service Requirement for the then-current or any succeeding fiscal year (whether at maturity, because of mandatory redemption or otherwise).

“*Outstanding Bonds*,” “*Bonds outstanding*” or “*outstanding*” as applied to the Bonds, mean, as of the applicable date, all Bonds which have been authenticated and delivered, or which are being delivered by the Trustee under the Indentures, except: (a) Bonds canceled upon surrender, exchange or transfer, or canceled because of payment or redemption on or prior to that date; (b) Bonds, or the portion thereof, for the payment, redemption or purchase for cancellation of which sufficient moneys have been deposited and credited with the Trustee or any Paying Agents on or prior to that date for that purpose (whether upon or prior to the maturity or redemption date of those Bonds); provided, that if any of those Bonds are to be redeemed prior to their maturity, notice of that redemption shall have been given or arrangements satisfactory to the Trustee shall have been made for giving notice of that redemption, or waiver by the affected Owners of that notice satisfactory in form to the Trustee shall have been filed with the Trustee; (c) Bonds, or the portion thereof, which are deemed to have been paid and discharged or caused to have been paid and discharged pursuant to the provisions of the Indenture; and (d) Bonds in lieu of which others have been authenticated under the Indenture.

“*Owner*” or “*Bondowner*” or “*Owner of a Bond*” means the Person in whose name a Bond is registered on the Bond register.

“*Paying Agent*” means as to the Series 2012 Bonds the Trustee, until a successor Paying Agent shall have become such pursuant to applicable provisions of the Indenture.

“*Person*” or words importing persons means firms, associations, partnerships (including without limitation, general and limited partnerships), joint ventures, societies, estates, trusts, corporations, public or governmental bodies, other legal entities and natural persons.

* *Subject to change.*

“Principal Payment Date” means, as to the Series 2012 Bonds, January 1 in the years specified in the Indenture for the stated amount of principal to be retired at maturity, or any other date on which the principal of the Series 2012 Bonds is payable as a result of redemption, optional or mandatory.

“Qualified Surety Bond” means a surety bond issued by an insurance company rated in the highest rating category by S&P or Moody’s.

“Registrar” means, as to the Series 2012 Bonds, the Trustee, until a successor Registrar shall have become such pursuant to applicable provisions of the Indenture.

“Regular Record Date” means, with respect to any Bond, the 15th day of the calendar month next preceding an Interest Payment Date applicable to that Bond.

“Reserve Fund” means the Reserve Fund established pursuant to the Indenture.

“Reserve Requirement” means as to the Series 2012 Bonds, the lesser of amount (a) the Maximum Annual Debt Service Requirement for the Series 2012 Bonds, (b) 125% of the average Annual Debt Service Requirement for the Series 2012 Bonds and (c) 10% of the stated principal amount of the Series 2012 Bonds. The Reserve Requirement may be satisfied by cash, a Qualified Surety Bond, or a combination of the two.

“Revenues,” means (a) the rental payments due under the Town Leases, (b) all other moneys received or to be received by the Corporation or the Trustee in respect of the Town Leases, including without limitation, moneys and investments in the Bond Retirement Fund, (c) any moneys and investments in the Reserve Fund and (d) all income and profit from the investment of the foregoing moneys.

“Special Record Date” means, with respect to any Bond, the date established by the Trustee in connection with the payment of overdue interest on that Bond pursuant to the Indenture.

“Supplemental Indenture” means any indenture supplemental to the Indenture entered into between the Corporation and the Trustee in accordance with the provisions of the Indenture.

SUMMARY OF CERTAIN PROVISIONS OF THE FIRST GROUND LEASE AMENDMENT

The following is a summary of certain provisions of the First Ground Lease Amendment to which reference is hereby made for a more complete description of its terms.

General

The First Ground Lease Amendment is between the Town, as lessor, and the Corporation, as lessee, and provides for the extension of the lease of the Real Property. The terms of the First Ground Lease Amendment continue until January 2, 2026*, or such later date as of which all Series 2012 Bonds are deemed paid and discharged under the Indentures. The Town has the right to terminate the First Ground Lease Amendment only after payment of, or provision for payment of, all Series 2012 Bonds is made.

Assignment

The Corporation, in connection with the issuance of the Series 2012 Bonds, will assign to the Trustee all of its right and benefits under the First Ground Lease Amendment and will grant to the Trustee a lien on its leasehold interest under the First Ground Lease Amendment and the Series 2012 Ground Lease.

SUMMARY OF CERTAIN PROVISIONS OF THE SERIES 2012 TOWN LEASE

The following, along with the information included under the heading "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS," is a summary of certain provisions of the Series 2012 Town Lease, to which reference is hereby made for a more complete description of its terms.

General

The Series 2012 Town Lease is between the Corporation, as lessor, and the Town, as lessee, and provides for the lease to the Town of the Leased Property for a term commencing as of June 1, 2012*, and continuing until January 2, 2026*, or such later date as of which the Series 2012 Bonds are deemed paid and discharged under the Indentures. The Town has the right to terminate the Series 2012 Town Lease when payment of, or provision for payment and discharge of, all Series 2012 Bonds is made.

Rent

The Town agrees to pay as rental payments to the Corporation, its successors or assigns, the sums necessary to permit the Corporation to make timely payment of the debt service on the Series 2012 Bonds, of amounts required to restore the Reserve Fund to an amount equal to the Reserve Requirement for the Series 2012 Bonds or, if the Agreement with respect to the Debt Service Reserve Fund Surety Bond is in effect and the Insurer is not in default thereunder, instead to pay amounts due pursuant to the Agreement and of all other amounts required to be paid by the Corporation to the Trustee pursuant to the Indentures with respect to the Series 2012 Bonds including 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 rental payments, the reasonable expenses of the Corporation approved by the Town and not otherwise required to be paid by the Town, 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, 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 Series 2012 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 all other expenses of the Corporation incurred at the written request of the Town or the Trustee in accordance with the provisions of the Series 2012 Town Lease or the Series 2012 Supplemental Indenture. The rental payments of the Town will be paid directly to the Trustee for and on behalf of the Corporation. When the Series 2012 Bonds and other obligations under the Series 2012 Supplemental Indenture have been fully paid or provided for, the Town will have no further obligation to make rental payments under the Series 2012 Town Lease.

The rental payments payable under the Series 2012 Town Lease will be an absolute net return to the Corporation, free from any expenses and charges with respect to the Leased Property or the income therefrom.

The Town will pay or cause to be paid punctually when due and payable, as additional rental payments under the Series 2012 Town Lease, 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 the Series 2012 Town Lease will be or become due and payable by the Corporation or the Town and which will be levied, charged, assessed or imposed:

- (i) upon or with respect to the Corporation, or which will be or become liens upon the Leased Property or any interest of the Corporation or the Town therein or under the Series 2012 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

* *Subject to change.*

(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 will 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 the Series 2012 Town Lease. It will not be a breach of the Series 2012 Town Lease 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, will be contesting the amount or validity of such tax, charge or assessment. The Corporation will, if requested by the Town, contest the amount or validity of any such rental payments, tax, charge or assessment, and the Town will pay the costs incurred by the Corporation therefor.

The Town will 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 will 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 will forthwith pay and discharge said judgment.

The Town will 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 will 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 will the Corporation be required to pay for any such charges or services.

The Town will, at its own cost and expense, during the term of the Series 2012 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. Failure of the Town to observe faithfully this covenant will constitute a breach of the Series 2012 Town Lease, and the Corporation will have reasonable rights of inspection for the purpose of determining the performance by the Town of its obligations under the Series 2012 Town Lease.

The Town will cause the Leased Property to be insured against loss or damage by fire, explosion and other hazards customarily insured under extended coverage, in an amount not less than the full insurable value of such property, and 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 will be carried with financially sound and reputable insurance companies authorized to issue such policy or insure such risk in Arizona. Each policy will contain provisions, if available, that written notice of cancellation or substantial modification thereof will be given to the Corporation and the Trustee at least 30 days, or the greatest available period shorter than 30, days prior to such cancellation or modification. The 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.

Remedies Upon Default

Upon the nonpayment of the whole or any part of the rental payments when the same are to be paid or upon violation by the Town of any other covenant or provision of the Series 2012 Town Lease, and if such default has not been cured (i) in the case of nonpayment of rental payments, within five days, and (ii) in the case of the breach of any other covenant or provision thereof within 30 days, after notice in writing from the Corporation specifying such default, 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 and the Corporation may pursue any other remedy which law affords, including the remedy of specific performance.

The Corporation, upon the bringing of a suit to collect the rentals in default, may have a receiver appointed of all the Excise Taxes which are pledged for the payment of the rentals.

The Corporation will in no event be in default in the performance of any of its obligations under the Series 2012 Town Lease (other than the obligation to make the rental payments required thereby) unless the Corporation has failed to perform such obligations within 30 days or such additional time as is reasonably required to correct any such default after notice by the Town to the Corporation and to the Trustee properly specifying wherein the Corporation has failed to perform any such obligation. So long as any right to abate or offset the payments of rental payments to be made by the Town thereunder 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.

Except as in the Series 2012 Town Lease expressly provided, the Series 2012 Town Lease will not terminate or be affected in any manner by reason of the condemnation, destruction or damage, in whole or in part, or by reason of the unusability of, the Leased Property, and, except as in the Series 2012 Town Lease expressly provided, the rentals, as well as all other amounts payable thereunder, will be paid by the Town in accordance with the terms, covenants and conditions of the Series 2012 Town Lease without abatement, diminution or reduction.

Refinancing

Upon notice to the Corporation, the Town may request that the Corporation refinance or prepay, as the case may be, the outstanding Bonds (including the First Series 2004 Bonds, the Second Series 2004 Bonds, the Series 2011 Bonds, the Series 2012 Bonds and any other Additional Bonds issued pursuant to the Indentures) 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 Indenture and the terms of any other debt obligations, by issuing new Bonds or other obligations. The Corporation will use its best efforts to so refinance or prepay, as the case may be, its indebtedness.

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 (including the First Series 2004 Bonds, the Second Series 2004 Bonds, the Series 2011 Bonds, the Series 2012 Bonds and any other Additional Bonds issued pursuant to the Indentures) and other obligations of the Corporation, the Corporation and the Town will enter into a written supplement to the Town Leases increasing or decreasing, as the case may be, the rental payments to be paid under the Town Leases by an amount at least sufficient to enable the Corporation to pay fully the principal and interest, when due, on such new Bonds or other obligations and all other usual and ordinary costs and expenses relating thereto.

The Town will have the right to pay installment rental payments in advance and may specify that such payments be placed in the Bond Retirement Fund. In addition, if on any payment date the money in the Revenue Fund exceeds the amounts necessary for the current debt service on the Series 2012 Bonds then outstanding, including administration costs and expenses then due and payable, such excess will, at the request of the Town, be transferred to and paid over into the Bond Retirement Fund. At the request of the Town, the Corporation will cause the amount of money contained in the Bond Retirement Fund from time to time to be used on any redemption date authorized in the Indenture to retire all or any portion of the outstanding First Series 2004 Bonds, Second Series 2004 Bonds, Series 2011 Bonds, Series 2012 Bonds or other Additional Bonds issued pursuant to the Indenture, or if, before First Series 2004 Bonds, Second Series 2004 Bonds, Series 2011 Bonds, Series 2012 Bonds or other Additional Bonds issued pursuant to the Indenture are subject to redemption, they may be obtained in the open market at a cost equal to or below par, or, after First Series 2004 Bonds, Second Series 2004 Bonds, Series 2011 Bonds, Series 2012 Bonds or other Additional Bonds issued pursuant to the Indenture 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 will cause money contained in the Bond Retirement Fund to be used to purchase Series 2012 Bonds in the open market for the purpose of cancellation. At such time or times as First Series 2004 Bonds, Second Series 2004 Bonds, Series 2011 Bonds, Series 2012 Bonds or other Additional Bonds issued pursuant to the Indenture are redeemed or purchased pursuant to the Town Leases, the rental payments to be paid by the Town under the Town Leases will be adjusted in such manner as to provide for the debt service on the remaining First Series 2004 Bonds, Second Series 2004 Bonds, Series 2011 Bonds, Series 2012 Bonds or other Additional Bonds issued pursuant to the Indenture.

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

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES

The following, along with the information included under the heading "THE SERIES 2012 BONDS," is a summary of certain provisions in the Indentures to which reference is hereby made for a more complete description of their respective terms.

Pledge and Assignment

Under the Series 2012 Supplemental Indenture, the Corporation will pledge and assign to the Trustee all its right, title and interest in and to the First Ground Lease Amendment and the Series 2012 Town Lease and all payments to be made thereunder except for certain rights to payment of expenses. Such rights of the Corporation will be assigned to the Trustee to secure the payment of the debt service on the Series 2012 Bonds and, with respect to the Series 2012 Agreement, the Insurer.

Establishment of Funds

The following are established under the Indentures as separate deposit accounts (except when invested as hereinafter set forth) in the custody of the Trustee: (i) Revenue Fund, (ii) Interest Fund, (iii) Bond Retirement Fund and (iv) Reserve Fund.

Receipt of Revenues

The installments of rental payments to be paid by the Town pursuant to the terms of the Series 2012 Town Lease are assigned by the Corporation to the Trustee so that such moneys will be paid by the Town directly to the Trustee, and the Trustee will credit such moneys to the Revenue Fund. If at any time the money in the Revenue Fund exceeds, in the sole opinion of the Trustee, the amount necessary for the current debt service on all Bonds then outstanding, including administration costs and expenses, and the Town is not then in default under the Town Leases, such excess will constitute a credit to the Town on the next succeeding installments of rent due or to become due under the Town Leases, provided, however, that the Town may exercise its prepayment rights under the Town Leases, in which event such excess funds will be transferred to and paid over into the Bond Retirement Fund. The aforesaid credit or transfer will be made by the Trustee no less frequently than annually.

Flow of Funds

The Trustee will transfer from the Revenue Fund the following amounts at the time and in the manner hereinafter provided for, applying money in the Revenue Fund to the setting aside of money for the foregoing funds to the extent available in the following order of priority, to-wit:

- (1) *Interest Fund*: One business day prior to each Interest Payment Date, the Trustee shall deposit in the Interest Fund an amount equal to the amount of the interest becoming due and payable on the Outstanding Bonds on the next Interest Payment Date, and each such deposit shall be made so that adequate moneys for the payment of interest will be available in such fund on each date that interest payments are to be made thereunder. Money in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable.

* *Subject to change.*

- (2) *Bond Retirement Fund*: One business day prior to each Principal Payment Date, the Trustee shall deposit in the Bond Retirement Fund solely for the purpose of paying the principal of the Bonds as each amount shall become due and payable, on or before the dates when such amounts will become due and payable, the amounts due to mature on such date.
- (3) *Reserve Fund*: Monthly, commencing on the 20th day of the month following a payment made from the Reserve Fund with respect to the Series 2012 Bonds, the Trustee shall, to the extent of legally available funds therefor, deposit into the Reserve Fund an amount equal to the amount required to restore the Reserve Fund to an amount equal to the Reserve Requirement for the Series 2012 Bonds. No deposit need be made into the Reserve Fund with respect to the Series 2012 Bonds if the amount of money and the Debt Service Fund Surety Bond account for an amount at least equal to the Reserve Requirement for the Series 2012 Bonds. If and to the extent that money has also been deposited in the Reserve Fund, all such money shall be used (or investments purchased with such money shall be liquidated and the proceeds applied as required) prior to any drawing under a Qualified Surety Bond. If and to the extent that more than one Qualified Surety Bond is credited to the Reserve Fund *in lieu* of money, drawings under such Qualified Surety Bonds and repayment or reimbursement of amounts with respect to such Qualified Surety Bonds will be made on a *pro rata* basis (calculated by reference to the policy limits or maximum amounts available thereunder) after applying all available money in the Reserve Fund.

Except for the hereinafter described withdrawals, amounts in the Reserve Fund will be used and withdrawn solely for the purpose of paying the interest on or principal of the Series 2012 Bonds in the event that no other money of the Corporation is available therefore or for the retirement of all of the Bonds then outstanding. In the event that there is insufficient money in the Reserve Fund available for payment on the principal of and interest on the Series 2012 Bonds, then upon the later of: (i) three (3) days after receipt by the Series 2012 Insurer of a Demand for Payment, duly executed by the Trustee certifying that payment due under the Indentures has not been made to the Trustee or (ii) the payment date of the Series 2012 Bonds as specified in the demand for Payment presented by the Trustee to the Series 2012 Insurer, the Series 2012 Insurer will make a deposit of funds sufficient for the payment to the Trustee of amounts which are then due to the Trustee under the Indentures (as specified in the Demand for Payment) up to but not in excess of the Surety Bond Coverage. If on January 15 of any year the amount in the Reserve Fund exceeds an amount equal to the Reserve Requirement for the Series 2012 Bonds and if the Corporation is not then in default under the Indentures, the Trustee will withdraw the amount of any such excess from such fund and will apply such amount, first and on a *pro rata* basis, to pay amounts due with respect to any Qualified Surety obligation, including by paying the applicable *pro rata* amount to reimburse the Series 2012 Insurer for any payments made by the Series 2012 Insurer under the Debt Service Reserve Fund Surety Bond until the Surety Bond Coverage equals the limit of the Debt Service Reserve Fund Surety Bond, and second, as a deposit to the Revenue Fund.

Application of Bond Proceeds

The Corporation shall deposit with the Trustee all of the proceeds of the sale of the Series 2012 Bonds and upon receipt of such proceeds the Trustee shall: (a) deposit pursuant to the Escrow Trust Agreement the amount necessary to effect the Refunding and (b) apply the balance of such proceeds of the Series 2012 Bonds to pay costs and expenses of issuance of the Series 2012 Bonds.

Investment of Funds

Substantially all money in any of the funds to be established by the Trustee will be invested and reinvested by the Trustee, at the direction of the Town, so long as the Town is not in default under the Town Leases, in the Eligible Investments.

Such investments shall mature or be redeemable at the option of the Trustee at the times and in the amounts necessary to provide moneys to pay debt service payments as they become due. Any interest, profit or loss on investments will be credited or charged to the fund to which such interest, profit or loss relates. Any losses on such investments are to be made up by the Town to the extent necessary to meet the debt service payments and to pay the Trustee's and any Paying Agent's fees and expenses; and any money paid to the Trustee by the Town for such

purpose will be deposited in the fund or funds with respect to which, and to the extent that, such losses were incurred.

Additional Bonds

The Corporation may establish one or more issues of Additional Bonds on a parity with the First Series 2004 Bonds, the Second Series 2004 Bonds, the Series 2011 Bonds and the Series 2012 Bonds and may issue and deliver such Additional Bonds, in such principal amounts as may be determined by the Corporation, subject to the following specific conditions which are made conditions precedent to the issuance of such Additional Bonds:

- (a) such Additional Bonds 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 advance refund any bonds or other obligations which have been issued for such purposes, and the issuance thereof has been determined and declared by the Corporation, by appropriate resolution, to be necessary for that purpose;
- (b) the Corporation is in compliance with all covenants and undertakings set forth in the Town Lease and in the Indenture, as either or both may have been supplemented;
- (c) the resolution authorizing issuance of such Additional Bonds requires that the proceeds of the sale of such Additional Bonds be applied solely for one or more of the purposes set forth in (a) above and expenses and costs incidental thereto, including costs and expenses incident to the issuance and sale of such Additional Bonds and the costs of any premium relating to insurance on the Additional Bonds 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 and interest on said Additional Bonds during the actual period of any acquisition and construction of such facilities, and for a reasonable period of time thereafter;
- (d) such Additional Bonds will be equally and ratably secured with the Bonds, without preference or priority of any of the Bonds over any other Bonds, except as expressly provided in the Indenture, as supplemented;
- (e) the Corporation has entered into a revised agreement with the Town, or has amended the Town Leases, in and by which the Town obligates itself in the manner therein provided to increase the rental payments or to make such payments to the Corporation at the times and in amounts sufficient to provide for the payment of principal and interest on such Additional Bonds as such principal and interest become due; and
- (f) the Excise Taxes collected in the next preceding fiscal year have amounted to at least two and one-half times the highest combined interest and principal requirements for any succeeding 12 months' period for all Bonds then outstanding and any Additional Bonds so proposed to be secured by a pledge of the Excise Taxes.

Events of Default and Remedies

The following events constitute Events of Default under the Indentures:

- (a) Payment of any interest on any Bond shall not be made when and as that interest shall become due and payable;
- (b) Payment of the principal of or any premium on any Bond shall not be made when and as that principal or premium shall become due and payable, whether at stated maturity, by redemption, or otherwise;
- (c) Failure by the Corporation to observe or perform any other covenant, agreement or obligation on its part to be observed or performed contained in the Indenture or in the Bonds, which failure shall have continued for a period of 60 days after written notice of such failure, by registered or certified mail, shall have been given to the Corporation and the Town, requiring that it be remedied, which notice may be given by the Trustee in its discretion and shall be given by the Trustee at the written request of the Owners of not less than 25% in aggregate principal amount of any series of Bonds then outstanding;

- (d) The occurrence and continuance of any default as defined in the Town Leases; and
- (e) The occurrence of an Event of Bankruptcy as to the Corporation or the Corporation shall: (i) commence a proceeding under any federal or State insolvency, reorganization or similar law, or have such a proceeding commenced against it and either have an order of insolvency or reorganization entered against it or have the proceeding remain undismissed and unstayed for 90 days; or (ii) have a receiver, conservator, liquidator or trustee appointed for it or for the whole or any substantial part of its property. The declaration of an Event of Default under this subsection and the exercise of remedies upon any such declaration shall be subject to any applicable limitations of federal or State law affecting or precluding such declaration or exercise during the pendency of or immediately following any liquidation or reorganization proceedings.

The Trustee, on the occurrence and continuance of any Event of Default, may, and upon the written request of the Owners of, at least 25% in principal amount of each series of the Bonds outstanding (provided that a greater percentage of such Owners has not given the Trustee a contrary directive) shall, exercise any available remedies to enforce the payment of Bond Service Charges or the observance and performance of any other covenant, agreement or obligation under the Indentures, the Town Leases or any other instrument providing security, directly or indirectly, for the Bonds.

An Owner will not have any right to institute any suit, action or proceeding for the enforcement of the Indentures, for the execution of any trust hereof, or for the exercise of any other remedy thereunder, unless:

- (i) there has occurred and is continuing an Event of Default of which the Trustee has been notified, as provided in the Indentures or of which it is deemed to have notice thereunder;
- (ii) the Owners of at least 25% in aggregate principal amount of a series of Bonds then outstanding (provided that a greater percentage of such Owners has not given the Trustee a contrary directive) shall have made written request to the Trustee and shall have afforded the Trustee reasonable opportunity to proceed to exercise the remedies, rights and powers granted in the Indentures or to institute the suit, action or proceeding in its own name, and shall have offered indemnity to the Trustee as provided in the Indenture; and
- (iii) the Trustee thereafter shall have failed or refused to exercise the remedies, rights and powers granted in the Indenture or to institute the suit, action or proceeding in its own name.

At the option of the Trustee, that notification (or notice), request, opportunity and offer of indemnity are conditions precedent, in every case, to the institution of any suit, action or proceeding described above.

No one or more Owners of the Bonds will have any right to affect, disturb or prejudice in any manner whatsoever the security or benefit of the Indentures by its or their action or to enforce, except in the manner provided therein, any remedy, right or power thereunder. Any suit, action or proceedings will be instituted, had and maintained in the manner provided therein for the benefit of the Owners of all Bonds then outstanding. Nothing in the Indentures shall affect or impair, however, the right of any Owner to enforce the payment of the Bond Service Charges on any Bond owned by that Owner at and after the maturity thereof, at the place, from the sources and in the manner expressed in that Bond.

Application of Moneys

After payment of any costs of collection, any moneys received by the Trustee pursuant to any right given or action taken under the Indentures or the Town Leases, will be applied by the Trustee as follows:

First -- to the payment to the Owners entitled thereto of all installments of interest then due on the Bonds, in the order of the dates of maturity of the installments of that interest, beginning with the earliest date of maturity and, if the amount available is not sufficient to pay in full any particular installment, then to the payment thereof ratably, according to the amounts due on that installment, to the Owners entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in the Bonds; and

Second -- to the payment to the Owners entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds previously called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), whether at stated maturity, by redemption or pursuant to any mandatory redemption requirements, in the order of their due dates, beginning with the earliest due date, with interest on those Bonds from the respective dates upon which they became due at the rates specified in those Bonds, and if the amount available is not sufficient to pay in full all Bonds due on any particular date, together with that interest, then to the payment thereof ratably, according to the amounts of principal due on that date, to the Owners entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in the Bonds.

Whenever moneys are to be applied pursuant to the provisions of the Indentures, those moneys will be applied at such times, and from time to time, as the Trustee may determine, having due regard to the amount of moneys available for application and the likelihood of additional moneys becoming available for application in the future. Whenever the Trustee directs the application of those moneys, it will fix the date upon which the application is to be made, and upon that date, interest will cease to accrue on the amounts of principal, if any, to be paid on that date, provided the moneys are available therefor. The Trustee will give notice of the deposit with it of any moneys and of the fixing of that date, all consistent with the requirements of the Indentures for the establishment of, and for giving notice with respect to, a Special Record Date for the payment of overdue interest. The Trustee will not be required to make payment of principal of and any premium on a Bond to the Owner thereof, until the Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if it is paid fully.

Termination of Proceedings

In case the Trustee has proceeded to enforce any remedy, right or power under the Indenture in any suit, action or proceedings, and the suit, action or proceedings have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, the Corporation, the Trustee and the Owners will be restored to their former positions and rights hereunder, respectively, and all rights, remedies and powers of the Trustee shall continue as if no suit, action or proceedings had been taken.

Waivers of Events of Default

- (a) Except as hereinafter provided, at any time, in its discretion, the Trustee may waive any Event of Default under the Indenture and its consequences. The Trustee will do so upon the written request of the Owners of:
 - (i) at least a majority in aggregate principal amount of all Bonds then outstanding in respect of which an Event of Default in the payment of Bond Service Charges exists; or
 - (ii) at least 25% in aggregate principal amount of each series of Bonds then outstanding (provided that a greater percentage of such Owners has not given the Trustee a contrary directive) in the case of any other Event of Default.
- (b) There shall not be so waived, however, any Event of Default described in paragraphs (a), (b) or (e) under the heading "Events of Default and Remedies." In the case of the waiver or in case any suit, action or proceedings taken by the trustee on account of any Event or Default shall have been discontinued, abandoned or determined adversely to it, the Corporation, the Trustee and the Owners shall be restored to their former positions and rights thereunder, respectively. No waiver will extend to any subsequent or other Event of Default or impair any right consequent thereon.

Supplemental Indentures

The Corporation, subject to the conditions and restrictions in the Indenture, may enter into Supplemental Indentures for any one or more or all of the following purposes, without the consent of or notice to the Owners of any Bonds: (a) to cure any ambiguity, inconsistency or formal defect or omission in the Indentures; (b) to grant to or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers or authority that lawfully may be granted to or conferred upon the Owners or the Trustee; (c) to assign additional revenues under the Indentures; (d) to accept additional security and instruments and documents of further assurance with respect to the Bonds; (e)

to add to the covenants, agreements and obligations of the Corporation under the Indentures, other covenants, agreements and obligations to be observed for the protection of the Owners, or to surrender or limit any right, power or authority reserved to or conferred upon the Corporation in the Indentures, including without limitation, the limitation of rights of redemption so that in certain instances Bonds of different series will be redeemed in some prescribed relationship to one another for the protection of the owners of a particular series of Bonds; (f) to evidence any succession to the Corporation and the assumption by its successor of the covenants, agreements and obligations of the Corporation under the Indenture, the Ground Lease, the Town Leases and the Bonds; (g) to make necessary or advisable amendments or additions in connection with the issuance of Additional Bonds in accordance with the provisions of the Indenture as do not adversely affect the interest of Owners of outstanding Bonds; (h) to permit the use of a book entry system to identify the owner of an interest in an obligation issued by the Corporation under the Indenture, whether that obligation was formerly, or could be, evidenced by a tangible security; (i) to permit the Trustee to comply with any obligations imposed upon it by law; (j) to specify further the duties and responsibilities of, and to define further the relationship among, the Trustee, the Registrar and any Paying Agents; (k) to achieve compliance of the Indentures with any applicable federal securities or tax law; (l) to permit the use of a Qualified Surety Bond to satisfy all or a portion of the Reserve Requirement; and (m) to permit any other amendment which, in the opinion of nationally recognized bond counsel, is not to the prejudice of the Trustee or the Owners.

The provisions listed above as subsections (i) and (k) will not be deemed to constitute a waiver by the Trustee, the Registrar, the Corporation or any Owner of any right which it may have in the absence of those provisions to contest the application of any change in law to the Indentures or the Bonds.

With the consent of the Owners of not less than a majority in aggregate principal amount of each series of the Bonds at the time outstanding, the Corporation and the Trustee may enter into an indenture or Supplemental Indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any Supplemental Indenture; provided, however, that no such Supplemental Indenture will (1) extend the maturity or date for mandatory redemption payments of the Bonds or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, without the consent of the Owner of each such Bond so affected or (2) reduce the aforesaid percentage of Owners of Bonds required to approve any such Supplemental Indenture or create any privilege or priority of any Bond or Bonds over any other Bond or Bonds, without the consent of the Owners of all Bonds then outstanding. The Trustee is authorized to join with the Corporation in the execution and delivery of such Supplemental Indenture unless such Supplemental Indenture contains provisions adverse to the Trustee, in which case the Trustee may, but will not be obligated to, enter into such Supplemental Indenture.

Defeasance

Release of Indenture. If (i) the Corporation shall pay all of the outstanding Bonds, or shall cause them to be paid and discharged, or if there otherwise shall be paid to the Owners of the outstanding Bonds, all Bond Service Charges due or to become due thereon, and (ii) provision also shall be made for the payment of all other sums payable under the Indentures or under the Town Leases, then the Indentures shall cease, determine and become null and void, and the covenants, agreements and obligations of the Corporation under the Indentures will be released, discharged and satisfied.

Payment and Discharge of Bonds. All or any part of the Bonds shall be deemed to have been paid and discharged within the meaning of the Indentures, including without limitation, the above paragraph, if: (a) the Trustee as paying agent and any Paying Agents have received, in trust for and irrevocably committed thereto, sufficient moneys, or (b) the Trustee has received, in trust for and irrevocably committed thereto, noncallable direct obligations of the United States which are certified by an independent public accounting firm of national reputation to be of such maturities or redemption dates and Interest Payment Dates, and to bear such interest, as will be sufficient, together with any moneys to which reference is made in subparagraph (a) above, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom (which earnings are to be held likewise in trust and so committed, except as provided in the Indentures), for the payment of all Bond Service Charges on those Bonds, at their maturity or redemption rates, as the case may be, or if a default in payment shall have occurred on any maturity or redemption date, then for the payment of all Bond Service Charges thereon to the date of the tender of payment; provided, that if any of those Bonds are to be redeemed prior to the maturity

thereof, notice of that redemption has been duly given or irrevocable provision satisfactory to the Trustee shall have been duly made for the giving of that notice.

Any moneys held by the Trustee in accordance with the foregoing provisions of the Indentures may be invested by the Trustee only in noncallable direct obligations of the United States having maturity dates, or having redemption dates which, at the option of the owners of those obligations, shall be not later than the date or dates at which moneys will be required for the purposes described above. To the extent that any income or interest earned by, or increment to, the investments held under the Indenture is determined from time to time by the Trustee to be in excess of the amount required to be held by the Trustee for the purposes of the Indentures, that income, interest or increment will be transferred at the time of that determination in the manner provided in the Indenture for transfers of amounts remaining in the Bond Retirement Fund.

Payments Due on Saturdays, Sundays and Holidays

If any Interest Payment Date, date of maturity of the principal of any Bonds, or date fixed for redemption of any Bonds is a Saturday, Sunday or a day on which (i) the Trustee is required, or authorized or not prohibited, by law (including without limitation, executive orders) to close and is closed, then payment of interest, principal and any redemption premium need not be made by the Trustee or any Paying Agent on that date, but that payment may be made on the next succeeding business day on which the Trustee and the Paying Agent are open for business with the same force and effect as if that payment were made on the Interest Payment Date, date of maturity or date fixed for redemption, and no interest shall accrue for the period after that date, or (ii) a Paying Agent is required, or authorized or not prohibited, by law (including without limitation, executive orders) to close and is closed, then payment of interest, principal and any redemption premium need not be made by the Paying Agent on that date, but that payment may be made on the next succeeding business day on which that Paying Agent is open for business with the same force and effect as if that payment were made on the Interest Payment Date, date of maturity or date fixed for redemption and no interest will accrue for the period after that date; provided, that if the Trustee is open for business on the applicable Interest Payment Date, date of maturity or date fixed for redemption, it will make any payment required hereunder with respect to payment of interest on outstanding Bonds and payment of principal of and premium on Bonds presented to it for payment, regardless of whether any Paying Agent will be open for business or closed on the applicable Interest Payment date, date of maturity or date fixed for redemption.

Provisions Related to the Series 2012 Insurer

Anything in the Indentures to the contrary notwithstanding but only if the Agreement or the Policy, if any, is in effect and the Series 2012 Insurer is not in default thereunder, upon the occurrence and continuance of an event of default as defined herein, the Series 2012 Insurer will be entitled to control and direct the enforcement of all rights and remedies granted to the Owners of the Series 2012 Bonds or the Trustee for the benefit of the Owners of the Series 2012 Bonds under the Indentures, including, without limitation, approval of all waivers of events of default.

LITIGATION

General

No litigation or administrative action or proceeding is pending or threatened against the Town or the Corporation which questions their respective rights to adopt or comply with the provisions of the documents under which the Series 2012 Bonds have been authorized or the validity or enforceability thereof or to consummate the transactions described therein or herein; nor is there any litigation or administrative action or proceeding threatened against the Town or the Corporation which, if decided adversely to the Town or the Corporation, as applicable, would impair the Town's or the Corporation's ability to comply with all of the requirements of the documents under which the Series 2012 Bonds have been authorized or have a material adverse effect upon the financial condition of the Town or the Corporation. Representatives of the Town and the Corporation will deliver certificates to that effect at the time of the initial delivery of the Series 2012 Bonds.

Events Center

The Town is one of a number of defendants in lawsuits (*Ronald Covin, et al. v. Robert W. Baird & Co., Inc.*, 3:09 cv 08174-GMS; *Wells Fargo Bank, N.A. v. Robert W. Baird & Co., Inc., et al.* CV2009-030148 and *Allstate Life Insurance Co. v. Robert W. Baird & Co., Inc., et al.* 3:09 cv 08162-GMS) filed by a number of plaintiffs in federal and state courts alleging misrepresentation and failure to disclose material facts in bond documents for \$35,000,000 principal amount of bonds (issued by an entity unrelated to the Town) to finance construction of a convention events center. The facts at issue relate specifically to the ability of the facility to generate sufficient operating revenues which, together with committed Town sales tax revenues, would be sufficient to repay such bonds.

The Town has maintained that its roles and obligations were limited (including by indicating that it would not be involved in obtaining financing beyond cooperation required in certain underlying documents) and the Town believes it followed that policy.

This is complex securities litigation under both federal and state law. Numerous parties are involved as plaintiffs and defendants. Considerable defense effort and cost for the Town remains, with some risk of ultimately not prevailing on one or more claims. The number of plaintiffs and defendants involved suggests the potential for shifts in position and pressures to settle claims rather than risk the uncertainties of trial. This is particularly true since each defendant could be jointly and severally liable for all damages under applicable law. On the other hand, the Town and other defendants have raised (and will continue to raise) such issues as plaintiffs' standing to raise issues, standards of pleading and proof, and plaintiffs' own actions which have resulted in at least part of any damages (and their failure to mitigate any damages).

The Town is a member of the Arizona Municipal Risk Retention Pool ("AMRRP"). AMRRP has advised the Town that it will provide a defense under the insurance coverage provided by AMRRP, subject to a reservation of rights. A primary reservation is that any actual determination that the Town participated in fraudulent conduct would not be covered. If the Town were ultimately found responsible for paying some portion of any damage award not covered by insurance, it would be required to make that payment from its general fund.

LEGAL MATTERS

The Series 2012 Bonds are sold with the understanding that the Town and the Corporation will furnish the Underwriter with the approving opinion of Greenberg Traurig, LLP, Phoenix, Arizona ("Bond Counsel"). The proposed form of such opinion is included in this Official Statement as APPENDIX D. Bond Counsel is to render such opinion upon the validity and enforceability of the Series 2012 Bonds under Arizona law and on the exclusion of the interest income on the Series 2012 Bonds from gross income for purposes of calculating federal income taxes and of the exemption of the interest income on the Series 2012 Bonds from State income taxes. (See "TAX MATTERS" herein.) Fees of Bond Counsel and Underwriter's counsel are contingent upon the delivery of the Series 2012 Bonds and Bond Counsel and Underwriter's counsel will be paid from proceeds of the sale of the Series 2012 Bonds.

Bond Counsel will opine to the Underwriter upon certain information in the caption paragraph on the cover, in APPENDIX D and under the headings "THE SERIES 2012 BONDS," "PLAN OF REFUNDING," "SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2012 BONDS," "DEFINITIONS OF CERTAIN TERMS," "SUMMARY OF CERTAIN PROVISIONS OF THE FIRST GROUND LEASE AMENDMENT," "SUMMARY OF CERTAIN PROVISIONS OF THE SERIES 2012 TOWN LEASE," "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES," "TAX MATTERS," "ORIGINAL ISSUE DISCOUNT," "AMORTIZABLE PREMIUM" and "CONTINUING DISCLOSURE" (except with respect to the status of the Town's compliance with existing undertakings) and APPENDICES D and E but otherwise has not participated in the preparation of this Official Statement and will not opine upon its accuracy, completeness or sufficiency. Bond Counsel has not examined nor attempted to examine or verify any of the financial or statistical statements or data contained in this Official Statement and will also express no opinion with respect thereto.

Certain legal matters will be passed upon solely for the benefit of the Underwriter by Squire Sanders (US) LLP, counsel to the Underwriter.

The various legal opinions to be delivered concurrently with the delivery of the Series 2012 Bonds express the professional judgement of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

The Code includes requirements which the Town and the Corporation must continue to meet with respect to the Series 2012 Bonds after the issuance thereof in order that interest on the Series 2012 Bonds not be included in gross income for federal income tax purposes. The failure by the Town or the Corporation to meet these requirements may cause interest on the Series 2012 Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The Town and the Corporation have covenanted in the Series 2012 Town Lease to take the actions required by the Code in order to maintain the exclusion from federal gross income of interest on the Series 2012 Bonds.

In the opinion of Bond Counsel rendered with respect to the Series 2012 Bonds on the date of issuance of the Series 2012 Bonds, assuming continuing compliance by the Town and the Corporation with the tax covenants referred to above, under existing statutes, regulations, rulings and court decisions, interest on the Series 2012 Bonds will be excludable from gross income for federal income tax purposes. Interest on the Series 2012 Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Series 2012 Bonds will be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations. Bond Counsel is further of the opinion upon the date of issuance of the Series 2012 Bonds that, assuming interest on the Series 2012 Bonds will be so excludable from gross income for federal income tax purposes, interest thereon will be exempt from income taxation under the laws of the State.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of the Series 2012 Bonds. Prospective purchasers of the Series 2012 Bonds should be aware that the ownership of the Series 2012 Bonds may result in other collateral federal tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2012 Bonds or, in the case of a financial institution, that portion of an owner's interest expense allocable to interest on a Series 2012 Bond; (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by fifteen percent (15%) of certain items, including the interest on the Series 2012 Bonds; (iii) the inclusion of interest on the Series 2012 Bonds in the earnings of certain foreign corporations doing business in the United States for purposes of the branch profits tax; (iv) the inclusion of interest on the Series 2012 Bonds in passive investment income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year; and (v) the inclusion in gross income of interest of the Series 2012 Bonds by recipients of certain Social Security and Railroad Retirement benefits.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or the courts; rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

ORIGINAL ISSUE DISCOUNT

The initial offering prices of the Series 2012 Bonds maturing on January 1, 20__ through and including January 1, 20__ (referred to in this section as the “Discount Bonds”) are less than the stated principal amounts. Under the Code, the difference between the principal of the Discount Bonds and the initial offering price to the public (excluding bond houses, brokers and similar persons or organizations acting in the capacity of underwriters or wholesalers), at which price a substantial amount of the Discount Bonds of the same maturity was sold, constitutes to an initial purchaser “original issue discount.” Original issue discount represents interest that is excludable from gross income; however, such interest is taken into account for purposes of determining the alternative minimum tax imposed on corporations and may result in the collateral federal tax consequences described above under “TAX MATTERS.” Original issue discount will accrue actuarially over the term of a Discount Bond at a constant interest rate. A purchaser who acquires a Discount Bond in the initial offering to the public at an initial offering price thereof as set forth on the inside front cover page of this Official Statement will be treated as receiving an amount of interest excludable from gross income for federal income tax purposes equal to the original issue discount accruing during the period such purchaser holds such Discount Bond and will increase its adjusted basis in such Discount Bond by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of such Discount Bond. The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of the Discount Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. Prospective purchasers of the Discount Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale, redemption or other disposition of the Discount Bonds and with respect to the state and local tax consequences of owning and disposing of the Discount Bonds.

AMORTIZABLE PREMIUM

The difference between the stated principal amounts of the Series 2012 Bonds maturing on January 1, 20__ through and including January 1, 20__ (referred to in this section as the “Premium Bonds”), and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Premium Bonds of the same maturity was sold constitutes to an initial purchaser amortizable “bond premium” that is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, a purchaser who acquires such Premium Bond in the initial offering to the public at the initial offering price thereof as set forth on the inside front cover page of this Official Statement is required to decrease such purchaser’s adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Premium Bonds. Prospective purchasers of the Premium Bonds should consult their own tax advisors with respect to the tax consequences of owning and disposing of the Premium Bonds.

RATING

Standard & Poor’s Financial Services, LLP (“S&P”) has assigned the rating of “___” to the Series 2012 Bonds. An explanation of the significance of a rating assigned by S&P may be obtained from S&P at 55 Water Street, New York, New York 10004. Such rating may be revised downward or withdrawn entirely by S&P, if, in its respective judgment, circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2012 Bonds. The Town has covenanted in its continuing disclosure undertaking that it will file notice of any formal change in any rating relating to the Series 2012 Bonds. See “CONTINUING DISCLOSURE” and APPENDIX E – “FORM OF CONTINUING DISCLOSURE UNDERTAKING” herein.

UNDERWRITING

The Series 2012 Bonds will be purchased by Stifel, Nicolaus & Co., dba Stone & Youngberg, a Division of Stifel Nicolaus (the “Underwriter”) at an aggregate purchase price of \$_____, pursuant to a bond purchase agreement (the “Bond Purchase Agreement”) entered into by and between the Corporation, the Town and the Underwriter. If the Series 2012 Bonds are sold to produce the yields shown on the inside front cover page hereof, the Underwriter’s compensation will be \$_____. The Bond Purchase Agreement provides that the Underwriter will purchase all of the Series 2012 Bonds so offered if any are purchased. The Underwriter may offer and sell the Series 2012 Bonds to certain dealers (including dealers depositing bonds into unit investment trusts) and others at prices higher or yields lower than the public offering prices or yields stated on the inside front cover page hereof. The initial offering yields set forth on the inside front cover page may be changed, from time to time, by the Underwriter.

POLITICAL CONTRIBUTIONS

To the best of their knowledge, neither the Underwriter nor Bond Counsel are known to have made political contributions other than those, if any, permitted under applicable securities regulations to any person who sought a seat on the Town Council or Corporation at its last election or, to the best of their knowledge, any election prior to the last election.

RELATIONSHIP AMONG PARTIES

Bond Counsel has and continues to represent the Underwriter with respect to financings other than for the Town and the Corporation and will continue to do so if requested in the future. Bond Counsel has also previously acted as bond counsel with respect to other obligations underwritten by the Underwriter and will continue to do so if requested in the future.

CONTINUING DISCLOSURE

The Town, as the obligated entity with respect to the Series 2012 Bonds, has covenanted for the benefit of certain owners of the Series 2012 Bonds to provide certain financial information and operating data relating to the Town by not later than February 1 in each year commencing February 1, 2013 (the “Annual Reports”), and to provide notices of the occurrence of certain enumerated events (the “Notices of Listed Events”). The Annual Reports, the Notices of Listed Events and any other required filing will be filed by the Town with the Municipal Securities Rulemaking Board (the “MSRB”) through the MSRB’s Electronic Municipal Market Access system, each described in APPENDIX E – “FORM OF CONTINUING DISCLOSURE UNDERTAKING.” The form of the undertaking, the specific nature of the information to be contained in the Annual Reports and the Notices of Listed Events is set forth in APPENDIX E. These covenants will be made in order to assist the Underwriter in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”). A failure by the Town to comply with these covenants must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2012 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2012 Bonds and their market price. *Also pursuant to Arizona Law, the ability of the Town to comply with such covenants is subject to annual appropriation of funds sufficient to provide for the costs of compliance with such covenants.* Should the Town not comply with such covenants due to a failure to appropriate for such purpose, the Town has covenanted to provide notice of such fact to the MSRB. Absence of continuing disclosure, due to non-appropriation or otherwise, could adversely affect the Series 2012 Bonds and specifically their market price and transferability.

The Town has been in compliance with all existing continuing disclosure undertakings in all material respects.

FINANCIAL STATEMENTS

The audited financial statements of the Town for the period ended June 30, 2011, a copy of which are included in APPENDIX C – “TOWN OF PRESCOTT VALLEY, ARIZONA – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011” of this Official Statement, includes the Town’s financial statements for the fiscal year ended June 30, 2011 that were audited by Heinfeld, Meech & Co., P.C., Certified Public Accountants, to the extent indicated in its report thereon. **The Town has not requested the consent of Heinfeld, Meech & Co., P.C. to include its report and Heinfeld, Meech & Co., P.C. has performed no procedures subsequent to rendering its report on the financial statements.** Representatives of the Town are not aware of any facts that would make such audited financial statements misleading.

CERTIFICATION CONCERNING OFFICIAL STATEMENT

The documents delivered in connection with the issuance of the Series 2012 Bonds will include a certificate to the effect that, to the knowledge of appropriate representatives of the Town after appropriate review, the statements contained in this Official Statement relating to the Town were at the time of the sale, and at the time of delivery of the Series 2012 Bonds, true, correct and complete in all material respects and were not misleading and did not omit matters which, in light of the circumstances under which they are made, would make such statements not misleading.

CONCLUDING STATEMENT

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty and no representation is made that any of these statements have been or will be realized. All financial and other information in this Official Statement has been derived from official records and other sources and is believed by the Town to be accurate and reliable. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the Town. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future.

MISCELLANEOUS

The agreement of the Corporation with the holders of the Series 2012 Bonds is fully set forth in the Series 2012 Town Lease and the Indentures, and neither any advertisement of the Series 2012 Bonds nor this Official Statement is to be construed as constituting any agreement with the purchasers of the Series 2012 Bonds.

The execution and delivery of this Official Statement have been duly authorized and approved by the Corporation and the Town.

TOWN OF PRESCOTT VALLEY, ARIZONA

TOWN OF PRESCOTT VALLEY, ARIZONA
MUNICIPAL PROPERTY CORPORATION

By: _____
Mayor

By: _____
President

**TOWN OF PRESCOTT VALLEY, ARIZONA –
GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION**

*The following information concerning the Town is for background information only. No attempt has been made to determine what part, if any, of the data presented is applicable to the Town; consequently, no representation is made as to the relevance of the data to the Town or the Series 2012 Bonds. **THE SERIES 2012 BONDS WILL BE PAYABLE ONLY FROM AND SECURED BY THE AMOUNTS DESCRIBED UNDER THE HEADING “SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2012 BONDS.” THE SERIES 2012 BONDS WILL NOT BE A GENERAL OBLIGATION OF THE TOWN.***

General

The Town is located in the central portion of Yavapai County, Arizona (the “County”), and is situated at an elevation of approximately 5,100 feet. The Town is approximately 90 miles northwest of City of Phoenix, Arizona, and seven miles east of the City of Prescott, Arizona (“Prescott”). The Town was founded in 1966 and incorporated in 1978.

POPULATION STATISTICS

	Town of Prescott Valley	Yavapai County	State of Arizona
2011 Estimate (a)	38,769	211,247	6,438,178
2010 Census	38,822	211,033	6,392,017
2000 Census	23,535	167,517	5,130,632
1990 Census	8,904	107,714	3,665,339
1980 Census	2,284	68,145	2,716,546
1970 Census	244	37,005	1,775,399

(a) Estimate as of July 2011.

Source: Arizona Department of Commerce, Population Statistics Unit and the U.S. Census Bureau.

Municipal Government and Organization

The Town operates under a council-manager form of government. Six members are elected at large on a nonpartisan ballot for staggered, four-year terms. The Mayor is a member elected at large on a nonpartisan ballot for a four-year term. The Common Council appoints a Town Manager who has full responsibility for carrying out policies of the Common Council and administering operations of the Town.

The Town currently offers municipal services including sewer, police, a park system, roads, a library facility and recreation department. Fire protection is provided by the Central Yavapai Fire District. Water is provided by the Town. Telephone service is provided by Qwest Communications; gas service by Unisource and electricity by Arizona Public Service Company. The Town provides police protection and sewer services.

Economy of the Area

The Town's economy is comprised of industry, manufacturing, retail and service business. The Town's location along State Routes 69 and 89A exposes it to tourism traffic that has made the trade and service sectors important components of the local economy. Many residents also commute to Prescott for employment where government, mining, cattle and sheep ranching are major economic activities.

Yavapai Regional Medical Center-East, an acute-care 50-bed hospital facility ("YRMC-East") located in the Town opened on May 15, 2006. Currently, YRMC-East employs approximately 480 full and part-time employees and offers an emergency department, surgery, laboratory services, cardiopulmonary and neurology services, radiology and various support services. Yavapai Regional Medical Center employs approximately 1,830 employees at its East (Prescott Valley) and West (Prescott) facilities.

MAJOR EMPLOYERS Town of Prescott Valley, Arizona

Employer	Description	Approximate Number of Employees
Humboldt Unified School District No. 22	Education	740
Yavapai Regional Medical Center-East	Hospital	480
Yavapai College (PV Campus)	Education	210
Lockheed Martin	Government	200
Ace Hardware Corporation	Warehouse and distribution center	180
Town of Prescott Valley	Government	180
M.I. Windows and Doors	Storm door and window manufacturing	180
Fry's Food & Drug Store	Grocery store	180
Mountain Valley Regional Rehab Hospital	Hospital	170
Safeway	Grocery store	130
Printpack Inc.	Packaging product manufacturing	120
Home Depot	Retail	110
K-Mart	Retail	100

Source: The Town and 2012 Hoover's Inc.

The following table illustrates unemployment averages for the Town, the County, the State and the United States.

UNEMPLOYMENT AVERAGES

<u>Calendar Year</u>	<u>Town of Prescott Valley</u>	<u>Yavapai County</u>	<u>State of Arizona</u>	<u>United States of America</u>
2012 (a)	9.8%	9.3%	8.7%	8.3%
2011	10.1	9.9	9.2	8.9
2010	10.6	10.5	10.0	9.6
2009	10.4	10.2	9.7	9.3
2008	6.0	5.9	5.9	5.8
2007	3.7	3.6	3.8	4.6

(a) Data through March 2012.

Source: Arizona Office of Unemployment and Population Statistics, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

Construction

The following charts illustrate a building permit summary for residential and non-residential construction and new housing permits for the Town.

**VALUE OF BUILDING PERMITS
Town of Prescott Valley, Arizona
(\$000s omitted)**

<u>Calendar Year</u>	<u>Residential</u>	<u>Commercial and Industrial</u>	<u>Other</u>	<u>Total</u>
2011 (a)	\$ 4,208	\$ 5,927	\$ 1,168	\$ 11,303
2010	8,082	18,644	3,704	30,430
2009	13,558	30,286	25,317	69,161
2008 (b)	20,632	35,487	5,313	61,432
2007	66,957	45,992	13,596	126,545
2006	154,495	41,027	12,053	207,575

(a) Data through September 2011.

(b) Incomplete data: One or months not available.

Source: Realty Studies, W.P. Carey School of Business, Arizona State University Polytechnic campus. Note that the data is obtained from county and municipal divisions which issue such permits. Construction is valued on the basis of estimated cost, not on market price or value of construction at the time the permit is issued. The issuance of a building permit does not necessarily mean that construction will commence immediately or at all.

NEW HOUSING PERMITS
Town of Prescott Valley, Arizona

Calendar Year	Total New Housing Permits
2011 (a)	20
2010	58
2009	122
2008 (b)	178
2007	404
2006	953

(a) *Data through September 2011.*

(b) *Incomplete data: One or months not available.*

Source: Realty Studies, W.P. Carey School of Business, Arizona State University Polytechnic campus. Note that data is obtained from county and municipal divisions which issue such permits. The issuance of a building permit does not necessarily mean that construction will commence immediately or at all.

Commerce

The following table illustrates the past five years of municipal transaction privilege tax collections.

PRIVILEGE (SALES) TAX REVENUE
Town of Prescott Valley, Arizona
(\$000s omitted)

Fiscal Year	Amount
2010/11	\$10,208
2009/10	10,399
2008/09	11,112
2007/08	12,351
2006/07	14,584

Source: Arizona Department of Revenue.

Tourism

The Town is surrounded by scenic attractions offering recreational opportunities including camping, fishing, historical landmarks, and scenic drives. The Prescott National Forest, containing over a million acres of land, has Indian ruins, former gold camps, ghost towns and several National Monuments. Numerous lakes are within a few minutes drive including Lynx, Granite and Willow.

Tourists and residents are attracted to Prescott which hosts annually the Prescott Frontier Days Rodeo and Fourth of July Celebration plus the Smoki Ceremonials and Snake Dance in August. The Town also acts as host for Oktoberfest and Prescott Valley Days which includes parades, rides, athletic events and an art festival.

Global Entertainment Corporation and Fain Signature Group developed a multipurpose event center (“MPEC”). The 140,000 square foot MPEC opened in November 2006 and holds approximately 5,100 seats. The major tenant of the MPEC is the minor league hockey team, the Arizona Sundogs. The MPEC is located within the Prescott Valley Town Center, including the 39-acre “Entertainment District” which includes a Harkins Theatre and various restaurants.

Transportation

Industry, business and residents benefit from the transportation network available in and near the Town. Rail, air and highway facilities are developed throughout the area.

The Town is located on State Routes 69 and 89A. Interstate 17 is located approximately 25 miles southeast. Bus service is available in Prescott. The Town is serviced by several national truck lines. The Prescott Municipal Airport provides local and regional air service and is located 12 miles northwest near Prescott with three lighted, paved runways of approximately 7,608 feet, 4,842 feet and 4,408 feet.

Education

Yavapai County Community College (“Yavapai College”) consists of five different campuses in the Town, Prescott, the Town of Chino Valley, Arizona, the City of Sedona, Arizona and the community of Verde Valley. Together the Town and Yavapai College built a three-story, 51,500 square foot library facility which includes a library, auditorium, classrooms and administrative offices for Yavapai College and a café and virtual reality room.

Northern Arizona University’s main campus is located 60 miles away in Flagstaff, Arizona, and has a current enrollment of approximately 14,525 students, including satellite campuses. Northern Arizona University focuses on undergraduate education but offers a wide range of graduate programs as well. Primary education in the Town is provided by Humboldt Unified School District No. 22.

APPENDIX B

**TOWN OF PRESCOTT VALLEY, ARIZONA –
FINANCIAL DATA**

THE SERIES 2012 BONDS WILL BE PAYABLE ONLY FROM AND SECURED BY THE AMOUNTS DESCRIBED UNDER THE HEADING “SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2012 BONDS.” THE SERIES 2012 BONDS WILL NOT BE A GENERAL OBLIGATION OF THE TOWN.

Current Year Statistics (For Fiscal Year 2011/12)

Town of Prescott Valley, Arizona

Total General Obligation Bonds Outstanding	None
Total Town of Prescott Valley Municipal Property Corporation	
Municipal Facilities (Excise Tax/State Shared Revenue) Revenue	
Bonds Outstanding and to be Outstanding	\$ 35,255,000 *(a)
Total Water System Revenue Bonds Outstanding	11,190,000
Total Improvement District Bonds Outstanding	550,000
Total Sewer Revenue Obligations Outstanding and to be Outstanding	11,007,724 *(a)
Total Certificates of Participation Outstanding	13,480,000
Primary Assessed Valuation	317,949,696 (b)
Secondary Assessed Valuation	335,226,849 (b)
Estimated Net Full Cash Value	2,593,080,792 (c)

Estimated Fiscal Year 2012/13 Statistics

Town of Prescott Valley, Arizona

Estimated Primary Assessed Valuation	\$ 266,795,189 (b)(d)
Estimated Secondary Assessed Valuation	269,560,539 (b)(d)
Estimated Net Full Cash Value	2,121,977,301 (c)(d)

* Subject to change.

(a) Includes the Series 2012 Bonds and is net of the Bonds Being Refunded.

(b) State property taxes are divided into two categories: primary and secondary. Secondary property taxes are those taxes and assessments imposed to pay principal and interest on bonded indebtedness and certain other obligations, those imposed for special districts other than school districts and those imposed to exceed a budget, expenditure or tax limitation pursuant to voter approval. Primary property taxes are all ad valorem taxes other than secondary property taxes. Annual increases in the valuation of certain types of property for primary property tax purposes and the amount of primary property taxes which may be levied in any year are subject to certain limitations. These limitations do not apply with respect to secondary property taxes. See “PROPERTY TAXES – Ad Valorem Taxes – Property Tax Assessment Ratios” for the method of determination of such categories.

(c) Estimated net full cash value is the total market value of the property less net exempt property within the Town.

(d) Estimated. Although the final official valuations are not expected to differ materially from the estimated valuations, the valuations are subject to positive or negative adjustments until approved by the Board of Supervisors of the County no later than August 20, 2012.

Source: State and County Abstract of the Assessment Roll, Arizona Department of Revenue and Property Tax Rates and Assessed Values, Arizona Tax Research Association.

STATEMENTS OF BONDED INDEBTEDNESS

**Total Direct General Obligation Bonds Outstanding
Town of Prescott Valley, Arizona**

Total Direct General Obligation Bonds Outstanding None

**Municipal Facilities Revenue Bonds Outstanding and to be Outstanding and to be Outstanding (a)
Town of Prescott Valley Municipal Property Corporation**

<u>Issue Series</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity Date (January 1)</u>	<u>Balance Outstanding</u>	<u>Less: Bonds Being Refunded*</u>	<u>Balance Outstanding and to be Outstanding*</u>
2004	\$6,420,000	Refunding	2018	\$4,075,000		\$ 4,075,000
2004 Second Series	14,300,000	Acquisition of water rights	2025	10,440,000	(\$10,440,000)	-
2011	14,365,000	Refunding	2025	14,270,000		<u>14,270,000</u>
Total Excise Tax Revenue Bonds Outstanding						\$ 18,345,000
Plus: The Series 2012A Bonds						5,695,000*
Plus: The Series 2012B Bonds						<u>11,215,000*</u>
Total Net Excise Tax Revenue Bonds Outstanding and to be Outstanding						<u><u>\$ 35,255,000*</u></u>

* Subject to change.

(a) The MPC Bonds are payable from payments made by the Town pursuant to leases entered into between the Town of Prescott Valley Municipal Property Corporation as lessor and the Town as lessee.

**Total Water System Revenue Bonds Outstanding
Town of Prescott Valley Municipal Property Corporation**

<u>Issue Series</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity Date (January 1)</u>	<u>Balance Outstanding</u>
2008	\$16,620,000	Refunding	2019	<u>\$11,190,000</u>
Total Water System Revenue Bonds Outstanding				<u><u>\$11,190,000</u></u>

Total Improvement District Bonds Outstanding (a)
Town of Prescott Valley, Arizona

<u>Issue Series</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity Date (January 1)</u>	<u>Balance Outstanding</u>
1994	\$5,100,000	Road and sewer improvements	2015	<u>\$ 550,000</u>
Total Improvement Bonds Outstanding				<u><u>\$ 550,000</u></u>

(a) *Improvement district bonded debt is payable from special assessments levied on the property benefited by the financed improvements. Such bonds are a contingent liability of the Town to the extent of any delinquent assessments.*

Total Sewer Revenue Obligations Outstanding and to be Outstanding
Town of Prescott Valley, Arizona

<u>Issue Series</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity Date (January 1)</u>	<u>Balance Outstanding</u>	<u>Less: Bonds Being Refunded*</u>	<u>Balance Outstanding and to be Outstanding*</u>
2003	\$10,545,000	Refunding	2023	\$ 6,760,000	(\$6,760,000)	\$ -
2005 (a)	9,317,470	Wastewater system expansion	2024	6,986,625		6,986,625
2007 (a)	5,000,000	Wastewater system expansion	2026	4,021,098		<u>4,021,098</u>
Total Net Sewer Revenue Obligations Outstanding and to be Outstanding						<u><u>\$ 11,007,724 *</u></u>

* *Subject to change.*

(a) *Represents loan agreements with the Water Infrastructure Finance Authority of Arizona. These loans are secured by and payable from sewer system revenues.*

Total Certificates of Participation Outstanding
Town of Prescott Valley, Arizona

<u>Issue Series</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity Date (January 1)</u>	<u>Balance Outstanding</u>
2007	\$15,910,000	Library facilities	2027	<u>\$ 13,480,000</u>
Total Certificates of Participation Outstanding				<u><u>\$ 13,480,000</u></u>

**Direct Bonded Debt, Legal Limitation and Unused Borrowing Capacity
Town of Prescott Valley, Arizona**

The Arizona Constitution provides that the general obligation bonded indebtedness for a municipality for general municipal purposes may not exceed six percent of the secondary assessed valuation of the taxable property in that municipality. In addition to the six percent limitation for general municipal purpose bonds, municipalities may issue general obligation bonds up to an additional twenty percent of the secondary assessed valuation for supplying water, artificial light, or sewers, and for the acquisition and development of land for open space preserves, parks, playgrounds and recreational facilities and public safety, law enforcement, transportation and fire and emergency services facilities.

Fiscal Year 2011/12

<u>General Municipal Purpose Bonds</u>		<u>Water, Light, Sewer, Open Space, Park and Public Safety, Law Enforcement, Transportation and Fire and Emergency Services Facilities Bonds</u>	
6% Limitation	\$ 20,113,610	20% Limitation	\$ 67,045,369
Direct General Obligation Bonds Outstanding	<u>None</u>	Direct General Obligation Bonds Outstanding	<u>None</u>
Unused 6% Borrowing Capacity	<u>\$ 20,113,610</u>	Unused 20% Borrowing Capacity	<u>\$ 67,045,369</u>

Estimated Fiscal Year 2012/13 (a)

<u>General Municipal Purpose Bonds</u>		<u>Water, Light, Sewer, Open Space, Park and Public Safety, Law Enforcement, Transportation and Fire and Emergency Services Facilities Bonds</u>	
6% Limitation	\$ 16,173,632	20% Limitation	\$ 53,912,107
Direct General Obligation Bonds Outstanding	<u>None</u>	Direct General Obligation Bonds Outstanding	<u>None</u>
Unused 6% Borrowing Capacity	<u>\$ 16,173,632</u>	Unused 20% Borrowing Capacity	<u>\$ 53,912,107</u>

(a) *Estimated. Although the final official valuations are not expected to differ materially from the estimated valuations, the valuations are subject to positive or negative adjustments until approved by the Board of Supervisors of the County no later than August 20, 2012.*

Source: *State and County Abstract of the Assessment Roll, Arizona Department of Revenue and Property Tax Rates and Assessed Values, Arizona Tax Research Association.*

**Direct and Overlapping General Obligation Bonded Debt
Town of Prescott Valley, Arizona**

Overlapping Jurisdiction	General Obligation Bonded Debt (b)	Proportion Applicable to the District (a)	
		Approximate Percent	Net Debt Amount
State of Arizona	None	0.50 %	None
Yavapai County	None	11.34	None
Yavapai County Community College District	\$ 43,935,000	11.34	\$ 5,346,890
Central Yavapai Fire District	14,385,000	50.20	None
Eastridge Community Facilities District	None	100.00	None
Northside Community Facilities District No. 1	None	100.00	None
Parkway Community Facilities District No. 1	3,240,000	100.00	3,240,000
Pronghorn Ranch Community Facilities District	6,325,000	100.00	6,325,000
Quailwood Meadows Community Facilities District	6,285,000	100.00	6,285,000
Raven Ridge Community Facilities District	None	100.00	None
Southside Community Facilities District No. 1	None	100.00	None
Stoneridge Community Facilities District	12,955,000	100.00	12,955,000
Humboldt Unified School District No. 22	44,855,000	72.88	32,690,324
Town of Prescott Valley	None	100.00	None
Net Direct and Overlapping General Obligation Bonded Debt			<u>\$ 66,842,214</u>

- (a) *Proportion applicable to the Town is computed on the ratio of secondary assessed valuation for 2011/12.*
- (b) *Does not include outstanding principal amounts of certificates or participation, revenue obligations, loan obligations, improvement bonds, or other debt not secured by ad valorem property taxes. Includes total stated principal amount of general obligation bonds outstanding, however, does not include presently authorized but unissued general obligation bonds of such jurisdictions which may be issued in the future as indicated in the following table. Additional bonds may be authorized by voters within overlapping jurisdictions pursuant to future elections.*

Overlapping Jurisdiction	General Obligation Bonds Authorized but Unissued
Quailwood Meadows Community Facilities District	\$18,060,000
Stoneridge Community Facilities District	18,200,000

Source: The various entities and *Property Tax Rates and Assessed Values*, Arizona Tax Research Association, *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue and the Assessor of the County.

**Direct and Overlapping General Obligation Bonded Debt Ratios
Town of Prescott Valley, Arizona**

	Per Capita Bonded Debt Population Estimated at 38,800	As % of Town's 2011/12 Secondary Assessed Valuation	As % of Town's 2011/12 Estimated Net Full Cash Value
Net Direct General Obligation Bonded Debt	None	None	None
Net Direct and Overlapping General Obligation Debt	\$1,722.74	19.94%	2.58%

Source: *Property Tax Rates and Assessed Values*, Arizona Tax Research Association, *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue, the Assessor of the County and U.S. Census Bureau.

**Other Long-Term Obligations
Town of Prescott Valley, Arizona**

The Town has the following development agreements in effect.

Development Agreement	Remaining Balance as of June 30, 2007	Payment Terms
Yavapai County Fairgrounds Association	\$1,936,336	Reimburse for portions of costs until 2040.
Yavapai Community Hospital Association	628,949	If the actual costs of infrastructure improvements on the hospital campus in the Town are less than \$1 million, the Town will reimburse the balance of the \$1 million over a ten year period. In addition, the Town will also pay the hospital \$100,000 annually for the following ten years.

Source: The Town.

RETIREMENT SYSTEM

Retirement Benefits

The Town contributes to the plans described below and as referenced in Note IV in APPENDIX C – “TOWN OF PRESCOTT VALLEY, ARIZONA – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011.” Benefits are established by State statute and generally provide retirement, death, long-term disability, survivor and health insurance premium benefits.

The Town has a defined contribution plan created in accordance with Internal Revenue Code Section 401(a) (the “Plan”). The Plan is available to all full-time employees of the Town, except police personnel who are covered under the Arizona Public Safety Personnel Retirement System (“PSPRS”) as described below. The Town’s Plan

requires participants to contribute 7% of their earnings and the Town to contribute 9%, with 8% being applied to the employees' retirement account and 1% applied to their retirement health reimbursement account. The Plan is administered through ICMA Retirement Corporation, and participants are allowed to choose from among various investment funds offered by them. Normal retirement age is 65 (59 ½ effective July 1, 2002). There are no securities of the Town included in the Plan assets. For the fiscal year ended June 30, 2011, the Town contributed \$509,788. The employee's contribution is 100% vested at all times. The employer's contribution vests at the rate of 20% per year of service, thus employees are 100% after five years of service.

The Town also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all Town employees and permits them to defer a portion of their salary until future years, and is only available to employees upon termination, retirement, death or unforeseeable emergency. (A 1996 federal law now requires all assets and income of Internal Revenue Code Section 457 deferred compensation plans to be held in trust, custodial accounts or annuity contracts for the exclusive benefit of the participants and their beneficiaries.) Assets of the Town's deferred compensation plan are administered by a private corporation under contract with the Town.

The PSPRS is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and 167 local boards according to other provisions of Title 38, Chapter 5, Article 4 of the Arizona Revised Statutes.

The Board of the PSPRS establishes and may amend active plan members' and the Town's contribution rates. For the year ended June 30, 2011, active PSPRS members were required by statute to contribute 7.65% of the members' annual covered payroll, and the Town was required to contribute at the actuarially determined rate of 14.72% of the covered payroll to the PSPRS plan.

The PSPRS has reported increases in its unfunded liabilities. The most recent annual reports for the PSPRS may be accessed at: http://www.psprs.com/sys_psprs/AnnualReports/cato_annual_rpts_psprs.htm. The effect of the increase in the PSPRS's unfunded liabilities on the Town, or on the Town's and its employees' future annual contributions to the PSPRS, cannot be determined at this time but is expected that contributions will have to increase, possibly materially, in the future.

Other Post-Employment Retirement Benefits

Pursuant to Government Accounting Standards Board Statement Number 45, *Accounting by Employers for Post-Employment Benefits Other than Pensions* ("GASB 45"), the Town is required to report the actuarially accrued cost of post-employment benefits, other than pension benefits ("OPEB"), such as health and life insurance for current and future retirees. GASB 45 requires that such benefits be recognized as current costs over the working lifetime of employees and, to the extent such costs are not pre-funded, requires the reporting of such costs as a financial statement liability.

The Town currently does not offer any OPEB. The Town's employees, their spouses and survivors may be eligible for certain retiree health care benefits under health care programs provided by the State. Employees on long-term disability and their spouses also may qualify for retiree health care benefits through the State. Such individuals may obtain the health care benefits offered by the State by paying 100% of the applicable health care insurance premium, net of any subsidy provided by the State. The benefits are available to all retired participants in the State's health care program. The Town does not currently make payments for OPEB costs for such retirees.

TOWN GENERAL FUND

Below are the Town general fund revenues, expenditures and changes in fund balance for the budgeted fiscal year 2012/13, unaudited and projected fiscal year 2011/12 and audited fiscal years 2006/07 through and including 2010/11. **THIS INFORMATION IS NOT INTENDED TO INDICATE FUTURE OR CONTINUING TRENDS OF THE FINANCIAL AFFAIRS OF THE TOWN.**

General Fund Town of Prescott Valley, Arizona

	Audited					Projected 2011/12	Budgeted 2012/13
	2006/07	2007/08	2008/09	2009/10	2010/11		
FUND BALANCE AT BEGINNING OF YEAR	\$ 21,367,149	\$ 21,327,904	\$ 34,699,940	\$ 25,250,526	\$ 18,136,449	\$ 15,500,000	\$ 14,350,000
REVENUES							
Taxes - local	\$ 13,145,918	\$ 11,238,142	\$ 10,083,338	\$ 9,465,641	\$ 9,245,548	\$ 9,523,500	\$ 10,013,000
Taxes - intergovernmental (a)	11,373,999	13,326,277	14,467,417	11,285,750	9,845,409	10,763,043	11,431,803
Licenses and permits:							
Business and liquor licenses	160,632	158,395	154,553	146,344	135,453	135,200	135,500
Building and related permits (b)	894,987	598,331	398,454	216,707	276,272	190,500	292,000
Charges for services (b):							
Building and related	277,661	163,068	102,845	123,307	51,525	48,700	60,000
Recreation fees	217,858	200,463	221,280	217,425	186,001	183,400	186,600
Public safety reports and services	12,469	8,544	7,199	17,549	29,348	32,000	29,500
Fines and forfeitures:							
Court fines	535,952	658,670	763,944	601,317	657,443	597,500	674,000
Library	15,526	14,681	15,442	22,248	17,766	16,000	17,000
Property rental	164,617	176,010	142,582	131,372	166,082	169,500	149,000
Interest earnings	961,985	902,488	649,776	235,204	133,987	180,000	68,000
Contributions	15,000	2,730	1,150	13,363	170,769	5,000	5,000
Other	285,936	388,068	1,293,884	185,239	194,868	15,500	15,200
TOTAL REVENUES	<u>\$ 28,062,540</u>	<u>\$ 27,835,867</u>	<u>\$ 28,301,864</u>	<u>\$ 22,661,466</u>	<u>\$ 21,110,471</u>	<u>\$ 21,859,843</u>	<u>\$ 23,076,603</u>
ADJUSTMENTS							
Transfers in	\$ 3,209,354	\$ 4,486,893	\$ 65,508	\$ 3,377,573	\$ 885,363	\$ 1,745,640	\$ 40,000
Transfers out	(2,432,238)	(2,843,602)	(2,663,101)	(2,094,578)	(1,696,681)	(2,862,401)	(2,852,300)
Capital lease	-	-	-	-	-	-	-
Debt issued	-	15,910,000	-	-	-	-	-
Discount on debt issued	-	(7,833)	-	-	-	-	-
TOTAL FUNDS AVAILABLE FOR							
EXPENDITURES	<u>\$ 50,206,805</u>	<u>\$ 66,709,229</u>	<u>\$ 60,404,211</u>	<u>\$ 49,194,987</u>	<u>\$ 38,435,602</u>	<u>\$ 36,243,082</u>	<u>\$ 34,614,303</u>
EXPENDITURES							
Current:							
General government	\$ 8,226,361	\$ 7,986,858	\$ 10,371,961	\$ 8,498,428	\$ 7,829,359	\$ 10,840,523	\$ 9,692,421
Public safety	7,210,159	8,559,269	8,834,310	7,915,950	7,511,435	7,637,199	8,406,944
Culture & recreation	3,011,539	3,323,561	3,506,772	3,835,728	3,296,231	3,346,729	3,356,770
Public works	1,717,275	1,664,904	1,578,240	1,393,239	1,167,649	1,212,016	1,141,751
Debt service (c):							
Principal	2,162	2,162	-	-	-	-	-
Interest and fiscal charges	614	614	-	-	-	-	-
Bond issuance costs	-	543,750	-	-	-	-	-
Capital outlay	8,710,791	9,928,171	10,862,402	9,415,193	1,897,170	1,406,057	1,082,132
TOTAL EXPENDITURES	<u>\$ 28,878,901</u>	<u>\$ 32,009,289</u>	<u>\$ 35,153,685</u>	<u>\$ 31,058,538</u>	<u>\$ 21,701,844</u>	<u>\$ 24,442,524</u>	<u>\$ 23,680,018</u>
FUND BALANCE AT END OF YEAR	<u>\$ 21,327,904</u>	<u>\$ 34,699,940</u>	<u>\$ 25,250,526</u>	<u>\$ 18,136,449</u>	<u>\$ 16,733,758</u>	<u>\$ 11,800,558</u>	<u>\$ 10,934,285</u>

(a) Includes other non-tax revenues.

Source: Management Services Department of the Town and Comprehensive Annual Financial Reports of the Town.

ASSESSED VALUATIONS AND TAX RATES

Direct and Overlapping Assessed Valuations and Total Tax Rates Per \$100 Assessed Valuation

Overlapping Jurisdiction	2011/12 Secondary Assessed Valuation	2011/12 Primary Assessed Valuation	2011/12 Total Tax Rate Per \$100 Assessed Valuation
State of Arizona	\$ 61,700,292,915	\$ 60,900,480,130	None
Yavapai County	2,753,690,772	2,712,177,881	\$ 1.8564 (a)
Yavapai County Community College District	2,753,690,772	2,712,177,881	1.6175
Yavapai County Fire District Assistance Tax (b)	2,753,690,772	N/A	0.0928
Yavapai County Library District (b)	2,753,690,772	N/A	0.1456
Yavapai County Flood Control District (b)	2,454,214,576	N/A	0.2483
Central Yavapai Fire District (b)	647,776,495	N/A	2.0793
Central Yavapai Hospital District (b)	1,584,199,866	N/A	0.0000
Coyote Springs Road Improvement District II (b)	10,560,826	N/A	0.0000
Prescott East Sanitary District (b)	1,031,453	N/A	0.0000
Eastridge Community Facilities District (b)	3,115,108	N/A	0.0000
Northside Community Facilities District No. 1 (b)	221,490	N/A	0.0000
Parkway Community Facilities District No. 1 (b)	2,381,200	N/A	11.4000
Pronghorn Ranch Community Facilities District (b)	12,299,880	N/A	3.9000
Raven Ridge Community Facilities District (b)	2,527,742	N/A	0.0000
Quailwood Meadows Community Facilities District (b)	8,972,344	N/A	4.2300
Southside Community Facilities District No. 1 (b)	897,088	N/A	0.0000
Stoneridge Community Facilities District (b)	19,297,516	N/A	3.9000
Humboldt Unified School District No. 22	424,072,207	416,579,942	4.6862
Prescott Unified School District No. 1	903,814,803	892,094,686	2.9052
Mountain Institute Joint Technological Education District (b)	1,741,933,885 (c)	N/A	0.0500
Town of Prescott Valley (c)	335,226,849	317,949,696	0.0000

(a) Includes the "State Equalization Assistance Property Tax." The State Equalization Assistance Property Tax in fiscal year 2011/12 has been set at \$0.4259 and is adjusted annually pursuant to Arizona Revised Statutes, Section 41-1276.

(b) The assessed valuation of the flood control district does not include the personal property assessed valuation of the County. All levies for fire districts, library districts, flood control districts, domestic water improvement districts, hospital districts, road improvement districts, sanitary districts, community facilities districts and joint technological education districts are levied on the secondary assessed valuation.

(c) The Town has not levied a property tax since incorporation.

Source: State and County Abstract of the Assessment Roll, Arizona Department of Revenue, Property Tax Rates and Assessed Values, Arizona Tax Research Association and Assessor of the County.

Property Tax Assessment Ratios

Property Classification (a)	2008	2009	2010	2011	2012
Mining, Utilities, Commercial and Industrial (b)	23%	22%	21%	20%	20%
Agriculture and Vacant Land (b)	16	16	16	16	16
Owner Occupied Residential	10	10	10	10	10
Leased or Rented Residential	10	10	10	10	10
Railroad, Private Car Company and Airline Flight Property (c)	20	18	17	15	15

- (a) *Additional classes of property exist, but seldom amount to a significant portion of a municipal body's total valuation.*
- (b) *For tax year 2011, full cash values up to \$67,268 on commercial, industrial and agricultural personal property are exempt from taxation. For tax year 2012, full cash values up to \$68,079 on commercial, industrial and agricultural personal property are exempt from taxation. This exemption is indexed annually for inflation. Any portion of the full cash value in excess of that amount will be assessed at the applicable rate. The assessment ratio for mining, utilities, commercial and industrial property will be reduced to 19.5% for tax year 2013 and further reduced one-half of one percent for each year to 18% for 2016 and thereafter. The assessment ratio for agricultural and vacant property will be reduced to 15% for tax year 2016 and thereafter.*
- (c) *This percentage is determined annually to be equal to the ratio of (i) the total assessed valuation of all mining, utility, commercial, industrial and military reuse zone properties, agricultural personal property and certain leasehold personal property to (ii) the total full cash (market) value of such properties.*

Source: *State and County Abstract of the Assessment Roll, Arizona Department of Revenue.*

**Secondary Assessed Valuation by Property Classification
Town of Prescott Valley, Arizona**

For the last five years, a breakdown of the secondary assessed valuation by property classification for the Town is shown below:

Class	Estimated	2011/12	2010/11	2009/10	2008/09
	2012/13 Secondary Assessed Valuation (a)	Secondary Assessed Valuation	Secondary Assessed Valuation	Secondary Assessed Valuation	Secondary Assessed Valuation
Commercial, Industrial, Utilities & Mines	\$ 94,379,855	\$ 116,524,596	\$ 120,675,802	\$ 108,974,137	\$ 108,865,527
Agricultural and Vacant	15,972,731	35,562,613	35,362,730	49,458,241	47,955,995
Residential (owner occupied)	117,356,737	142,922,575	176,319,892	207,515,910	226,797,173
Residential (rental)	38,722,110	36,609,090	44,281,810	49,003,420	51,977,019
Historical Property	3,126,373	3,605,038	3,281,059	2,558,817	436,912
Certain Government Property Improvements	2,733	2,938	-	-	-
Totals*	<u>\$ 269,560,539</u>	<u>\$ 335,226,849</u>	<u>\$ 379,921,294</u>	<u>\$ 417,510,525</u>	<u>\$ 436,032,626</u>

* Totals may not add due to rounding.

(a) *Estimated. Although the final official valuations are not expected to differ materially from the estimated valuations, the valuations are subject to positive or negative adjustments until approved by the Board of Supervisors of the County no later than August 20, 2012.*

Source: *State and County Abstract of the Assessment Roll, Arizona Department of Revenue and Property Tax Rates and Assessed Values, Arizona Tax Research Association.*

TOWN OF PRESCOTT VALLEY, ARIZONA

**AUDITED ANNUAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The following audited annual financial statements are for the fiscal year ended June 30, 2011. These are the most recent financial statements available to the Town. These financial statements are not current and may not represent the current financial condition of the Town.

Such audited financial statements are the most recent available for the Town, are not current and, therefore, must be considered with an abundance of caution. The Town has not requested the consent of Heinfeld, Meech & Co., P.C. to include its report herein, and Heinfeld, Meech & Co., P.C. has performed no procedures subsequent to rendering its report on the financial statements.

FORM OF APPROVING LEGAL OPINION

DRAFT

[LETTERHEAD OF GREENBERG TRAUIG, LLP]

[Closing Date]

Town of Prescott Valley Municipal
Property Corporation
c/o Town of Prescott Valley, Arizona
7501 East Civic Circle
Prescott Valley, Arizona 86314

Re: Town of Prescott Valley Municipal Property Corporation Municipal Facilities Revenue
Refunding Bonds, Series 2012

[To be provided by Bond Counsel]

FORM OF CONTINUING DISCLOSURE UNDERTAKING

DRAFT

CONTINUING DISCLOSURE UNDERTAKING

TOWN OF PRESCOTT VALLEY MUNICIPAL PROPERTY CORPORATION

\$5,695,000*
MUNICIPAL FACILITIES REVENUE REFUNDING
BONDS, SERIES 2012A

\$11,215,000*
MUNICIPAL FACILITIES REVENUE REFUNDING
BONDS, SERIES 2012B

(CUSIP BASE NUMBER 74080P)

This Undertaking is executed and delivered by the Town of Prescott Valley, Arizona (the “Obligated Person”), in connection with the issuance of the captioned municipal securities (the “Securities”) for the benefit of the owners of the Securities, being the registered owners thereof or any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Securities (including persons holding Securities through nominees, depositories or other intermediaries) or is treated as the owner of any Securities for federal income tax purposes.

Section 1. Definitions.

“Annual Report” shall mean any annual report provided by the Obligated Person pursuant to, and as described in, Section 2.

“Authorizing Documents” shall mean the documents authorizing the issuance of the Securities.

“EMMA” shall mean the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board. As of the date of this Undertaking, information regarding submissions to EMMA is available at <http://emma.msrb.org/submission>.

“Listed Events” shall mean any of the events listed in Section 3(a).

“Notice of Listed Event” shall mean any notice provided by the Obligated Person pursuant to, and as described in, Section 3.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 2. Contents and Provision of Annual Reports.

(a) (i) **THE OBLIGATED PERSON SHALL, NOT LATER THAN FEBRUARY 1 OF EACH YEAR, COMMENCING FEBRUARY 1, 2013, DISSEMINATE THROUGH EMMA AN ANNUAL REPORT WHICH IS CONSISTENT WITH THE REQUIREMENTS OF SUBSECTION (b) OF THIS SECTION.**

* Subject to change.

(ii) ***IF THE OBLIGATED PERSON IS UNABLE OR FOR ANY OTHER REASON FAILS TO PROVIDE AN ANNUAL REPORT OR ANY PART THEREOF BY THE DATE REQUIRED IN SUBSECTION (a)(i) OF THIS SECTION, THE OBLIGATED PERSON SHALL DISSEMINATE THROUGH EMMA A NOTICE TO THAT EFFECT NOT LATER THAN SUCH DATE ALONG WITH THE OTHER PARTS, IF ANY, OF THE ANNUAL REPORT.***

(b) (i) The Annual Reports shall contain or incorporate by reference the following:

(A) The type of information contained in TABLES 1, 5 and 6 (but only as Table 6 relates to the Obligated Person) of the Official Statement, dated _____, 2012, relating to the Securities.

(B) Audited financial statements for the preceding fiscal year, such statements to be prepared on the basis of generally accepted accounting principals as applicable to governmental units. ***IF THE FISCAL YEAR OF THE OBLIGATED PERSON CHANGES, THE OBLIGATED PERSON SHALL FILE A NOTICE OF SUCH CHANGE IN THE SAME MANNER AS FOR A NOTICE OF LISTED EVENT.***

(ii) The Annual Report may be submitted as a single document or as separate documents comprising a package and may incorporate by reference from other documents other information, including official statements of debt issues of the Obligated Person or related public entities which have been submitted to the Municipal Securities Rulemaking Board. The Obligated Person shall clearly identify each such other document so incorporated by reference.

(iii) ***If audited financial statements are to be included in an Annual Report but are not available in time to satisfy the requirements of Subsection (a)(i) of this Section, unaudited financial statements should be provided at the requisite time as part of the Annual Report and as soon as possible (but not later than thirty (30) days) after such audited financial statements become available, the audited financial statements shall be disseminated through EMMA.***

Section 3. Reporting of Listed Events.

(a) This Section shall govern the giving of notices of the occurrence of any of the following events (the "Listed Events"):

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other notices or determinations, in each case, with respect to the tax status of the security, or other material events affecting the tax status of the security.

7. Modifications to the rights of security holders, if material.
8. Bond calls, if material, or tender offers.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the securities, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar events of the Obligated Person, being if any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.
13. The consummation of a merger, consolidation or acquisition involving the Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) **WHENEVER THE OBLIGATED PERSON OBTAINS KNOWLEDGE OF THE OCCURRENCE OF A LISTED EVENT, THE OBLIGATED PERSON SHALL DISSEMINATE IN A TIMELY MANNER, BUT IN NOT MORE THAN TEN (10) BUSINESS DAYS, A NOTICE OF LISTED EVENT THROUGH EMMA.** Whether events subject to the standard “material” would be material shall be determined under applicable federal securities laws.

(c) Notwithstanding the foregoing, a Notice of Listed Event of the Listed Events described in Subsections (a)(viii), (ix) or (xi) need not be given under this Subsection any earlier than the notice (if any) of the underlying event given to holders of affected Securities pursuant to the Authorizing Documents.

Section 4. Termination of Reporting Obligation.

(a) The obligations of the Obligated Person pursuant to this Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Securities. **NOTICE OF SUCH TERMINATION SHALL BE DISSEMINATED THROUGH EMMA AS SOON AS PRACTICABLE, BUT NOT LATER THAN THE DATE AN ANNUAL REPORT WOULD OTHERWISE HAVE BEEN DUE.**

(b) To the extent applicable by provision of law, this Undertaking is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, as amended, the provisions of which are incorporated herein.

Section 5. Amendment or Waiver.

(a) Notwithstanding any other provision of this Undertaking, the Obligated Person may amend this Undertaking, and any provision of this Undertaking may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver (i) is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the Obligated Person or type of business conducted; (ii) would have complied with the requirements of the Rule at the time of the primary offering of the Securities, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances and (iii) does not materially impair the interests of the owners of the Securities, as determined either by parties (such as the bond counsel) unaffiliated with the Obligated Person or by an approving vote of the registered owners of the Securities pursuant to the terms of the Authorizing Documents at the time of the amendments.

(b) The Annual Report containing amended operating data or financial information resulting from such amendment or waiver, if any, shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided. If an amendment or waiver is made specifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Obligated Person to meet its obligations. To the extent reasonably feasible, such comparison also shall be quantitative. ***IF THE ACCOUNTING PRINCIPLES OF THE OBLIGATED PERSON CHANGE, THE OBLIGATED PERSON SHALL FILE A NOTICE OF SUCH CHANGE IN THE SAME MANNER AS FOR A NOTICE OF LISTED EVENT.***

Section 6. Additional Information. Nothing in this Undertaking shall be deemed to prevent the Obligated Person from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Report or Notice of Listed Event, in addition to that which is required by this Undertaking. If the Obligated Person chooses to include any information in any Annual Report or Notice of Listed Event in addition to that which is specifically required by this Undertaking, the Obligated Person shall have no obligation under this Undertaking to update such information or include it in any future Annual Report or Notice of Listed Event.

Section 7. Default. In the event of a failure of the Obligated Person to comply with any provision of this Undertaking, any owner of a Security for the benefit of which this Undertaking is being provided may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Obligated Person to comply with its obligations under this Undertaking. A default under this Undertaking shall not be deemed an event of default for other purposes of the Authorizing Documents, and the sole remedy under this Undertaking in the event of any failure of the Obligated Person to comply with this Undertaking shall be an action to compel performance.

Dated: [Closing Date]

TOWN OF PRESCOTT VALLEY, ARIZONA

By.....
Harvey Skoog, Mayor

ATTEST:

.....
Diane Russell, Town Clerk

APPROVED AS TO FORM:

By.....
Ivan Legler, Town Attorney

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2012 Bonds. The Series 2012 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2012 Bond certificate will be issued for each maturity of each series of the Series 2012 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants” and together with the Direct Participants, the “Participants”). DTC has a Standard & Poor’s rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2012 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2012 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2012 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2012 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Series 2012 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2012 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2012 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2012 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2012 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2012 Bonds, such as redemptions, tenders, defaults, and

proposed amendments to the Series 2012 Bond documents. For example, Beneficial Owners of Series 2012 Bonds may wish to ascertain that the nominee holding the Series 2012 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and Paying Agent and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2012 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2012 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation and the Town as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2012 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2012 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation and the Town, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Registrar and Paying Agent or the Corporation and the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation and the Town or the Bond Registrar and Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Series 2012 Bonds purchased or tendered, through its Participant, to a remarketing agent, and shall effect delivery of such Series 2012 Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2012 Bonds, on DTC's records, to a remarketing agent. The requirement for physical delivery of Series 2012 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2012 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2012 Bonds to a remarketing agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Series 2012 Bonds at any time by giving reasonable notice to the Corporation and the Town or the Bond Registrar and Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Series 2012 Bond certificates are required to be printed and delivered.

The Corporation and the Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2012 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Corporation and the Town believes to be reliable, but none of the Corporation, the Town, the Underwriter or their agents and counsel take responsibility for the accuracy thereof.