



AGENDA

6:00 P.M.

SPECIAL CITY COUNCIL MEETING

MONDAY, DECEMBER 22, 2014

MEETING LOCATION: SAFFORD LIBRARY PROGRAM ROOM ♦ 808 S 7TH AVENUE, SAFFORD, ARIZONA

*Pursuant to Section 2.04.100 of the City of Safford Municipal Code, the Council may meet in a Council Special Meeting which shall be open to the general public. **No call to the public shall be authorized.***

- *A copy of agenda background material provided to Council members, with the exception of material relating to possible executive sessions, is available for public inspection at the City Clerk's Office, 717 Main Street; Monday – Thursday 7:00 a.m. – 6:00 p.m. and on the City's website at: www.cityofsafford.us*
- *The City Council reserves the right to take action upon any item on the agenda.*
- *Pursuant to Title II of the Americans with Disabilities Act (ADA), persons with a disability may request reasonable accommodations by contacting City Hall at (928)432-4000, forty-eight (48) hours prior to the meeting.*

- 1. WELCOME AND CALL TO ORDER:** (Reminder: Please turn off cell phones)
- 2. ROLL CALL:**
- 3. PLEDGE OF ALLEGIANCE TO THE FLAG:** Mayor Gibbs will lead the Pledge of Allegiance to the Flag.
- 4. OPENING PRAYER:**
- 5. NEW/OLD BUSINESS:**
 1. Staff is recommending the City Council authorize the Mayor to execute an assignment of the FBO Agreement and the five (5) leases from Mikel Hardy and Ponderosa Aviation, Inc. to Dr. Rex Bryce, dba Ponderosa Aviation, Inc. **INFORMATION/DISCUSSION/ACTION**
 2. Request for the Mayor and City Council to consider adoption of Resolution Number 14-038 providing for all matters necessary for the sale and execution and delivery of an excise tax revenue refunding obligation (**TAX-EXEMPT**), Series 2015, evidencing all of the interests of the holder thereof in installment payments of the purchase price to be paid pursuant to an excise tax purchase agreement (**TAX-EXEMPT**); delegating certain authority with respect to the purposes thereof; adopting post-issuance tax compliance procedures and declaring an emergency. **INFORMATION/DISCUSSION/ACTION**
 3. Request for the Mayor and City Council to consider adoption of Resolution Number 14-039 providing for all matters necessary for the sale and execution and delivery of an excise tax revenue refunding obligation (**TAXABLE**), Series 2015, evidencing all of the interests of the holder thereof in installment payments of the purchase price to be paid pursuant to an excise tax purchase agreement (**TAXABLE**); delegating certain authority with respect to the purposes thereof and declaring an emergency. **INFORMATION/DISCUSSION/ACTION**



AGENDA

6:00 P.M.

SPECIAL CITY COUNCIL MEETING

MONDAY, DECEMBER 22, 2014

MEETING LOCATION: SAFFORD LIBRARY PROGRAM ROOM ♦ 808 S 7TH AVENUE, SAFFORD, ARIZONA

In accordance with Section 2.04.120 of the City Code of the City of Safford, and Arizona Revised Statutes §§38-431.01 *et seq.*, and 38-431.02 *et seq.*, notice is hereby given to the general public that the City of Safford will hold the above stated Special City Council Meeting open to the public on the date and time specified above at the Safford Library Program Room, 808 South 7th Avenue, Safford, Arizona. Members of the City of Safford Council may attend either in person or by telephone conference call. If authorized by a majority vote of the Common Council of the City of Safford, and pursuant to Arizona Revised Statutes, §38-431.03 *et seq.*, the Council may adjourn the meeting at any time and move into Executive Session for consultation with the attorneys of the public body. Executive Session will not be open to the public.

6. MEETINGS/ACTIVITIES HELD OR TO BE HELD BY COUNCIL OR CITY STAFF:

7. COUNCIL OR STAFF REQUESTS FOR AGENDA ITEMS:

8. FUTURE MEETINGS/ANNOUNCEMENTS:

- Wednesday, December 24, 2014 Close at noon for Christmas Holiday
- Thursday, December 25, 2014 Christmas Day Holiday
- Thursday, January 1, 2015, New Year's Day Holiday
- Monday, January 12, 2015, Regular Council Meeting
- Tentative: Council Retreat
January 15 & 16, 2015 or January 22, 23, 2015
- Monday, January 19, 2015 Martin Luther King Holiday
- Monday, January 26, 2015, Council Work Session

9. ADJOURN:



CITY COUNCIL COMMUNICATION

TO: Mayor and Council

FROM: Dustin Welker, Planning and Community Development Director

SUBJECT: Assignment of FBO Agreement and Interest in leases of Ponderosa Aviation Inc.

DATE: Monday, December 22, 2014 at 6:00 p.m.

Purpose and Recommended Action: This is a request for the Mayor and Council to approve the assignment of the FBO Agreement and the five leases between Mr. Mikel Hardy, Mr. Russell Hardy, or Mr. Gary Hardy (Previous Presidents of Ponderosa Aviation Inc.) and the City to Dr. Rex Bryce. Dr. Bryce will continue to do business as Ponderosa Aviation Inc.

Background: On April 1, 2012 the city entered into a three year FBO Agreement with Ponderosa Aviation Inc. to provide services and receive certain non-exclusive privileges as displayed in the attached FBO Agreement. In addition to the FBO Agreement, Ponderosa Aviation Inc. has five lease agreements with the city (C-8, C-12, H-3, H-4 and P-12 – see leases attached and aerial map displaying location of leased areas).

As current President of Ponderosa Aviation, Mr. Mikel Hardy has the right to assign his rights and responsibilities associated with the City of Safford subject to the approval of the city council. Ponderosa Aviation is current on all their financial obligations to the City and Mikel Hardy has requested the right to exercise the option to assign his obligations as provided in the previously mentioned agreements and leases to Dr. Rex Bryce doing business under the name of Ponderosa Aviation Inc.

Analysis: All employees and officers other than Mikel Hardy will remain working for Ponderosa Aviation and there are no planned changes to their operations. Staff does not feel that any modification to the agreement or leases is necessary at this time.

Recommendation: Staff is recommending that the City Council authorize the Mayor to execute an assignment of the FBO Agreement and the five leases from Mikel Hardy and Ponderosa Aviation Inc. to Dr. Rex Bryce, dba Ponderosa Aviation Inc.



PONDEROSA AVIATION

CURRENT LEASES as of DECEMBER 11, 2014:

H-4	Hangar Lease	Expires 6/30/2022
C-12	Ground Lease	Expires 6/30/2015
C-8	Ground Lease	Expires 2/22/2038
P-12	Hangar Lease	Expires 6/30/2019
H-3	Ground Lease	Expires 2/22/2038
	Fixed Base Operator Agreement	Expires 3/30/2015

Recording Information Above

**SAFFORD REGIONAL AIRPORT
COMMERCIAL SITE LEASE AGREEMENT**

THIS LEASE AGREEMENT (“Agreement”) made and entered into this 11th day of June, between the **City of Safford**, an Arizona municipal corporation, hereinafter referred to as **CITY**, and **Ponderosa Aviation, Inc.** hereinafter referred to as **TENANT**.

CITY, for and in consideration of the payments, covenants and agreements of **TENANT** hereinafter contained, does hereby lease the property described below at the Safford Regional Airport (“Premises”) to **TENANT** for purposes of commercial development.

PARCEL H-4. COMMENCING AT A ½” REBAR WITH CAP AT THE NORTHWEST CORNER OF LOT 3 OF SECTION 1, TOWNSHIP 7 SOUTH, RANGE 26 EAST OF THE GILA AND SALT RIVER BASE MERIDIAN IN GRAHAM COUNTY, ARIZONA; THENCE S 00 DEG 01 MIN 13 SEC W ON AND ALONG THE WEST LINE OF THE EAST HALF OF THE WEST HALF OF SAID SECTION 1, 2729.94 FEET; THENCE S 89 DEG 40 MIN 53 SEC E 1551.71 FEET TO THE POINT OF BEGINNING; THENCE S 89 DEG 40 MIN 53 SEC E 75.00 FEET; THENCE S 00 DEG 19 MIN 07 SEC W 75.00 FEET; THENCE 89 DEG 40 MIN 53 SEC E 15.50 FEET; THENCE S 00 DEG 19 MIN 07 SEC W 68.00 FEET; THENCE N 89 DEG 40 MIN 53 SEC W 90.50 FEET; THENCE N 00 DEG 19 MIN 07 SEC E 143.00 FEET TO THE POINT OF BEGINNING. (SEE EXHIBIT “A” ATTACHED).

I.

TERM:

THIS AGREEMENT shall commence on the 1st day of July 2012, and shall terminate on the 30th day of June 2022, unless otherwise terminated by either party prior to the expiration of its full term. This **Agreement** may not be extended unless approved by the City Council.

II.

CONSIDERATION:

Payments are due and payable monthly. In consideration of this **Agreement**, **TENANT** agrees to pay to the **CITY** the following amounts:

See Exhibit "B" – Schedule of Lease Payments, attached.

III.

UTILITIES:

TENANT agrees to secure electrical, water, garbage collection and other utilities services as required, in its own name, and to pay all utility charges when the same become due.

IV.

INSURANCE:

TENANT hereby agrees to defend, indemnify and hold harmless the **CITY** against any and all claims resulting from **TENANT** activities on the property of the City of Safford.

- (1) **TENANT** further agrees to maintain the following minimum types and levels of insurance coverage:
 - (a) Commercial General Liability Insurance in the amount of \$1,000,000 per occurrence and \$1,000,000 annual aggregate. Such insurance shall contain contractual liability insurance coverage applicable leases, licenses, permits, or agreements.
 - (b) Commercial/Business Automobile Liability Insurance for all owned, non-owned and hired vehicles assigned to or used in performance of commercial activities in the amount of at least \$1,000,000 per occurrence.
 - (c) Special Causes of Loss Property Form covering all improvements and fixtures on the **TENANT'S** premises in an amount not less than the full replacement cost thereof, to the extent of the insurable interest in the premises.
 - (d) Worker's Compensation Insurance as required by law.
 - (e) Premises medical insurance in the amount of at least \$1000 each person, \$5,000 each occurrence, \$5,000 annual aggregate.
 - (f) All insurance policies cited herein shall contain a waiver of subrogation rights endorsement with respect to **CITY**.

- (2) All policies, except worker's compensation policy, shall name **CITY** "Additionally Insured," and **TENANT** shall furnish certificates of insurances evidencing the required coverage cited herein prior to engaging in any commercial activities. Such certificates shall provide for unequivocal thirty (30) day notice of cancellation or material change of any policy limits or conditions.

V.

ASSIGNMENT:

No interest in this **Agreement** may be assigned by **TENANT** without the express written consent of the **CITY**.

VI.

MAINTENANCE:

- (1) **TENANT** shall maintain and repair the Premises and any improvements thereon.
- (2) **CITY** reserves the right to inspect the Premises at any time during normal business hours to ascertain that the site and improvements are being properly maintained.
- (3) **CITY** reserves the right to enter onto the Premises to perform maintenance and/or repairs when it is deemed necessary to protect the use and value of property, and to assess **TENANT** for the actual cost of said maintenance and/or repairs.

VII.

INDEMNIFICATION:

TENANT agrees to pay all obligations incurred in the operation of the facilities and improvements and to defend, indemnify and hold harmless the **CITY** and its officials from any and all liability there under.

VIII.

TERMINATION:

- (1) **TENANT** may terminate this **Agreement** upon giving the **CITY** ninety (90) days written notice. At the election of the **CITY**, at the termination of this **Agreement**, any and all properties and improvements on the Premises more than thirty (30) days after termination shall be the property of and owned by the **CITY** except **TENANT'S** operating equipment and personal property which remain property of **TENANT**. If the **CITY** elects to have any or all of such improvements removed, **TENANT** shall repair any damage caused by removal.

2012-03816 08-08-2012 10:16 AM 900
If this **Agreement** is terminated at the initiation of **TENANT** or breached under the provisions of Section IX below, **TENANT** will, unless waived by **CITY**, continue to make monthly payments for a period of six (6) months after the date of termination, or until such time as **CITY** has secured another tenant for the Premises and entered a lease agreement with such tenant. This **Agreement** is subject to termination pursuant to A.R.S. § 38-511.

- (2) The **CITY** may, at its sole discretion, terminate this **Agreement** under Section IX, part (1) for three (3) violations in any one calendar year, or six (6) violations in any two (2) year period, or for a single violation of Section IX, part (5) or (6). Notice of breach and opportunity to cure is not required for breach under Section IX, parts (1), (5) or (6). **CITY** may terminate this **Agreement** for breach, as defined in paragraph IX, parts (2) through (4) below, provided that **TENANT** is given notice of breach in writing and given thirty (30) days to cure the same or to commence cure if cure cannot be reasonably completed within thirty (30) days. If the breach is not cured or cure commenced within thirty (30) days the **CITY** may terminate this **Agreement** as stated in paragraph X below. **TENANT** is entitled to only one formal notice of breach and opportunity to cure as to parts (3) and (4) collectively below. **TENANT** is entitled to two formal notices of breach and opportunity to cure as to part (2) below within any three calendar year period. Any subsequent breaches may only be cured at the discretion of the **CITY**.

IX.

BREACH:

Each of the following events shall constitute a breach or default of this **Agreement** by **TENANT**:

- (1) If **TENANT** fails to pay **CITY** any rent when the rent is due.
- (2) If **TENANT** fails to perform or comply with any of the conditions of this Lease.
- (3) If **TENANT** vacates or abandons the premises for a continuous period of one hundred twenty (120) days.
- (4) If **TENANT** transfers or assigns this **Agreement** to any other person or party, except in the manner herein permitted.
- (5) If **TENANT** knowingly engages in any other improper conduct or course of action disruptive to the performance of this **Agreement** or to the relationship of the parties.

- (6) If **TENANT** or any partner individually, is convicted of, or if the Safford City Council finds by clear and convincing evidence that the same has committed, a criminal offense anywhere on the property owned by **CITY**.

X.

RIGHTS OF THE CITY IN THE EVENT OF DEFAULT:

In the event of any default or breach hereunder, as set forth above, **CITY** shall have the right to cancel and terminate this **Agreement**, as well as all of the right, title and interest of **TENANT** hereunder, by giving to **TENANT** not less than thirty (30) days notice of the cancellation and termination. On expiration of the time fixed in the notice, this **Agreement** and the right, title and interest of **TENANT** hereunder, shall terminate in the same manner and with the same force and effect except as to **TENANT'S** liability as if the date fixed in the notice of cancellation and termination were the end of the term. **CITY** may also cancel this **Agreement** pursuant to *Arizona Revised Statutes* §38-511.

XI.

AMENDMENT:

This **Agreement** may be amended from time to time upon the mutual agreement of both parties.

XII.

NOTIFICATION

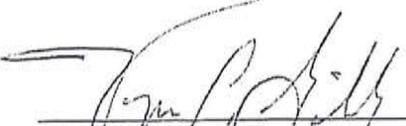
Any notices which are required herein to be made either by the **CITY** or by the **TENANT** shall be made in writing and shall be deemed served upon the other party when personally delivered or when deposited in the U.S. Mail, postage prepaid, return receipt requested, addressed to the other party as follows:

City Manager
City of Safford
808 S. 8th Avenue
PO Box 272
Safford, AZ 85548

Ponderosa Aviation, Inc.
Mikel Hardy
4500 Aviation Way
Safford, AZ 85546

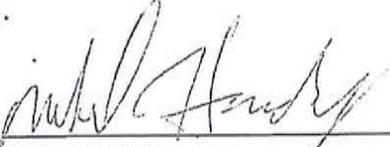
IN WITNESS WHEREOF this **Agreement** has been executed on the date first written above by the parties hereto, who by their signatures affixed hereto do swear and affirm that they are authorized, in accordance with law, to execute this document.

CITY OF SAFFORD



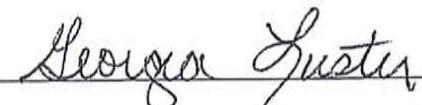
Wyn "Christ" Gibbs
City of Safford, Mayor

PONDEROSA AVIATION, INC.



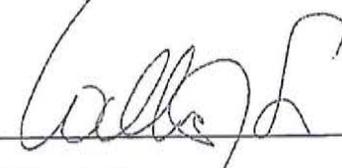
Mikel Hardy

ATTEST:



Georgia Luster, MMC
City Clerk

APPROVED AS TO FORM:



William J. Sims
Interim City Attorney

RESOLUTION NUMBER 12-018

(Ponderosa Aviation, Inc.)

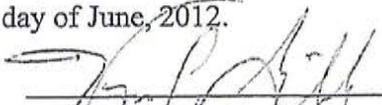
**A RESOLUTION OF THE MAYOR AND CITY COUNCIL
OF THE CITY OF SAFFORD, GRAHAM COUNTY,
ARIZONA AUTHORIZING THE MAYOR TO ENTER
AIRPORT HANGAR LEASE AGREEMENT.**

WHEREAS, the City of Safford, Graham County, Arizona, owns real property available for airport hangar purposes; and,

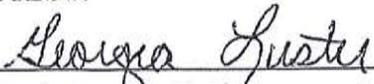
WHEREAS, Ponderosa Aviation, Inc. is in need of hangar space and the City of Safford owns hangar H-4, (Exhibit A); and,

NOW THEREFORE BE IT RESOLVED, by the Mayor and City Council of the City of Safford, pursuant to A.R.S. §§ 9-241, 9-500.05 and 9-500.11, the Mayor is authorized to enter and execute said airport hangar lease between the City of Safford and Ponderosa Aviation, Inc., known as "H-4" airport hangar for a ten (10) year period, the 1st day of July 2012 through the 30th day of June 2022, in accordance with the Airport Hangar Agreement terms and conditions attached and incorporated herein.

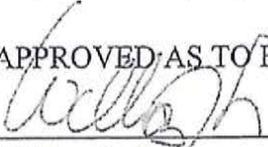
PASSED, ADOPTED AND APPROVED by the Mayor and City Council of the City of Safford, Graham County, Arizona this day of 11th day of June, 2012.



Wyn "Chris" Gibbs
City of Safford, Mayor

ATTEST:


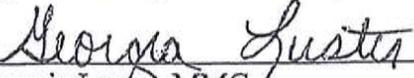
Georgia Luster, CMC
City Clerk

APPROVED AS TO FORM:


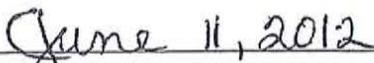
William J. Sims
Interim City Attorney

CERTIFICATION

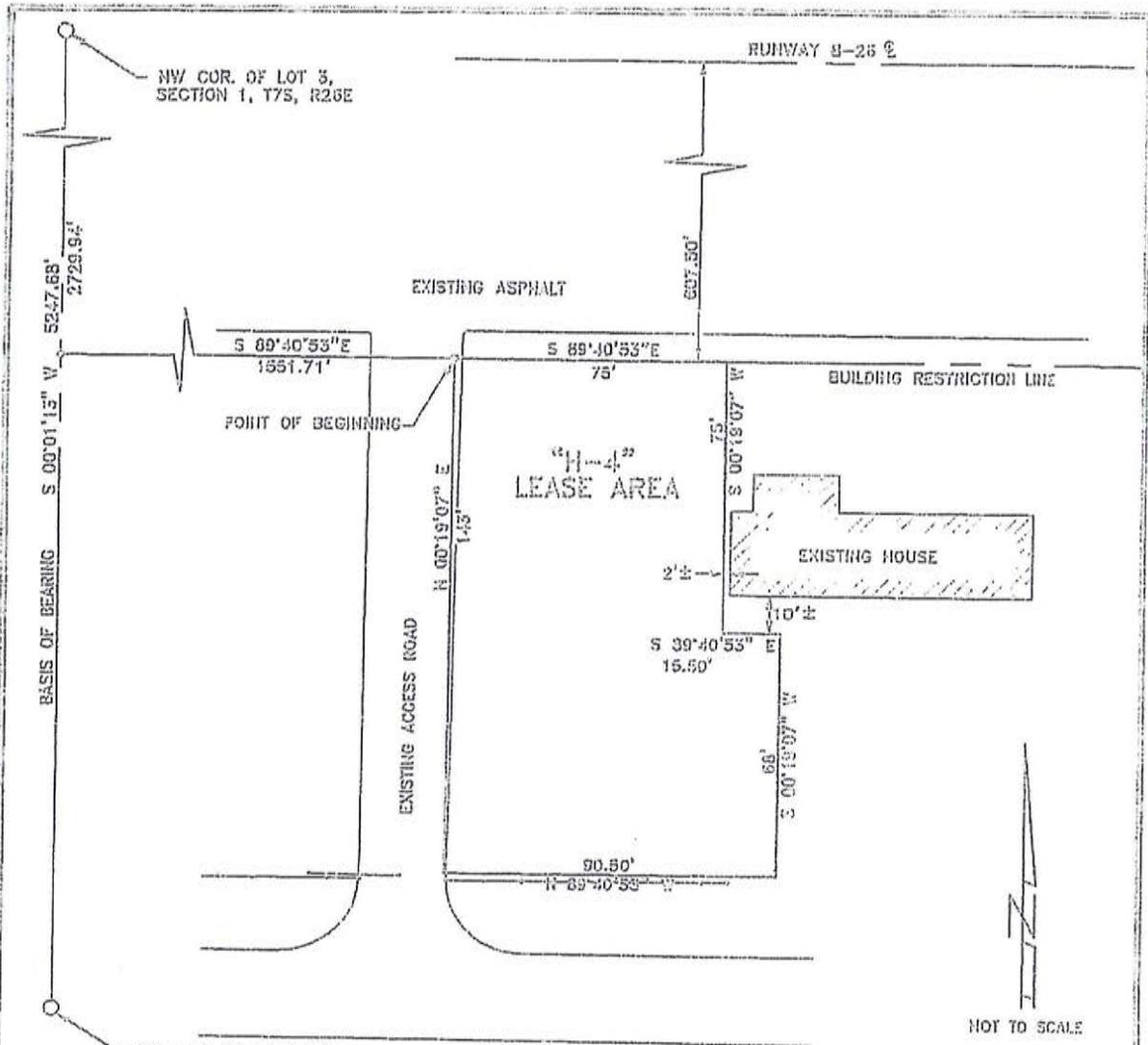
I HEREBY CERTIFY, that the foregoing Resolution Number 12-018 was duly passed and adopted by the Mayor and City Council of the City of Safford, Graham County, Arizona, at a regular meeting held June 11, 2012. A quorum of the Council was present at the meeting.



Georgia Luster, MMC
City Clerk



Date: June 11, 2012



COMMENCING AT A 1/2" REBAR WITH CAP AT THE NORTHWEST CORNER OF LOT 3 OF SECTION 1, TOWNSHIP 7 SOUTH, RANGE 26 EAST OF THE GILA AND SALT RIVER BASE MERIDIAN IN GRAHAM COUNTY, ARIZONA; THENCE S 00°01'13"W ON AND ALONG THE WEST LINE OF THE EAST HALF OF THE WEST HALF OF SAID SECTION 1, 2729.94 FEET; THENCE S 89°40'53"E 1551.71 FEET TO THE POINT OF BEGINNING; THENCE S 89°40'53"E 75.00 FEET; THENCE S 00°19'07"W 75.00 FEET; THENCE 89°40'53"E 15.50 FEET; THENCE S 00°19'07"W 68.00 FEET; THENCE N 89°40'53"W 90.50 FEET; THENCE N 00°19'07"E 143.00 FEET TO THE POINT OF BEGINNING.

CITY OF SAFFORD PLAT OF THE PARCEL IN THE ATTACHED DOCUMENT	
1/4 OF SE1/4 OF SECTION 1	DRAWN BY: R. SANCHEZ
TOWNSHIP 7 SOUTH, RANGE 26 EAST	DATE: 03-15-02
SCALE: N.T.S.	APPROVED BY:
EXHIBIT "A"	

SCHEDULE "B"

Parcel H-4

PERIOD	DUE DATE	AMOUNT	TOTAL ANNUALLY
07/01/2012 - 06/30/2013	07/01/12	\$ 1,125.50	\$ 13,506.00
07/01/2013 - 06/30/2014	07/01/13	\$ 1,159.27	\$ 13,911.24
07/01/2014 - 06/30/2015	07/01/14	\$ 1,194.05	\$ 14,328.60
07/01/2015 - 06/30/2016	07/01/15	\$ 1,229.87	\$ 14,758.44
07/01/2016 - 06/30/2017	07/01/16	\$ 1,266.77	\$ 15,201.24
07/01/2017 - 06/30/2018	07/01/17	\$ 1,304.77	\$ 15,657.24
07/01/2018 - 06/30/2019	07/01/18	\$ 1,343.91	\$ 16,126.92
07/01/2019 - 06/30/2020	07/01/19	\$ 1,384.23	\$ 16,610.76
07/01/2020 - 06/30/2021	07/01/20	\$ 1,425.76	\$ 17,109.12
07/01/2021 - 06/30/2022	07/01/21	\$ 1,468.53	\$ 17,622.36

RESOLUTION NO. 10-020

(Ponderosa Aviation, Inc./Ponderosa Avionics, LLC.)

"C-12"

A RESOLUTION OF THE MAYOR AND CITY COUNCIL OF THE CITY OF SAFFORD, "CITY", GRAHAM COUNTY, ARIZONA AUTHORIZING THE MAYOR TO ENTER AIRPORT GROUND LEASE AGREEMENT.

WHEREAS, the City of Safford, Graham County, Arizona, owns real property available for self fueling purposes; and,

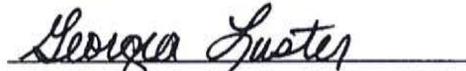
WHEREAS, Russel Hardy is currently under lease (month to month) with the City for ground lease known as C-12 (Exhibit A); and,

NOW THEREFORE BE IT RESOLVED, by the Mayor and City Council of the City of Safford, pursuant to *Arizona Revised Statutes* §§ 9-241, 9-500.05 and 9-500.11, the Mayor is authorized to enter and execute said airport ground lease between the City of Safford and Ponderosa Aviation, Inc./Ponderosa Avionics, LLC known as "C-12" ground lease for a five (5-1/2) year period, 1 January 2009 through 30 June 2015, in accordance with the Commercial Site Lease Agreement terms and conditions attached and incorporated herein.

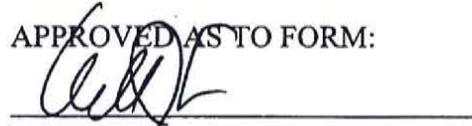
PASSED, ADOPTED AND APPROVED by the Mayor and City Council of the City of Safford, Graham County, Arizona this 10th day of May, 2010.


Ronald M. Green, Mayor

ATTEST:


Georgia Luster, MMC
City Clerk

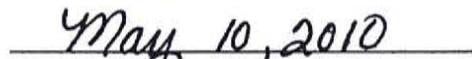
APPROVED AS TO FORM:


William J. Sims
Interim City Attorney

CERTIFICATION

I hereby certify that the foregoing Resolution Number 10-020 was duly passed and adopted by the Mayor and City Council of the City of Safford, Graham County, Arizona, at a regular meeting held May 10, 2010 and that a quorum was present at the meeting.


Georgia Luster, MMC, City Clerk


Date

Recording Information Above

**SAFFORD REGIONAL AIRPORT
COMMERCIAL SITE LEASE AGREEMENT**

THIS LEASE AGREEMENT ("Agreement") made and entered into this 10th day of May 2010, between the **City of Safford**, an Arizona municipal corporation, hereinafter referred to as **CITY**, and **Ponderosa Aviation, Inc./Ponderosa Avionics, LLC**, hereinafter referred to as **TENANT**.

CITY, for and in consideration of the payments, covenants and agreements of **TENANT** hereinafter contained, does hereby lease the property described below at the Safford Regional Airport ("Premises") to **TENANT** for purposes of commercial development.

PARCEL C-12. Commencing at a ½ inch rebar with cap at the northwest corner of Lot 3 of Section 1, Township 7 South, Range 26 East of the Gila and Salt River Base Meridian in Graham County, Arizona; thence S 00 deg 01 min 13 sec W on and along the west line of the east half of the west half of said Section 1, 2686.94 feet; thence S 89 deg 40 min 53 sec E 1165.32 feet to the Point of Beginning; thence S 89 deg 40 min 53 sec E 62.00 feet; thence S 00 deg 19 min 07 sec W 48.00 feet; thence N 89 deg 53 min 49 sec W 62.00 feet; thence N 00 deg 19 min 07 sec E 44.00 feet to the Point of Beginning. Described parcel containing 2967.00 square feet or 0.068 acres. (See Exhibit "A" attached.)

I.

TERM:

THIS AGREEMENT shall commence on the 1st day of January 2009, and shall terminate on the 30th day of June 2015, unless otherwise terminated by either party prior to the expiration of its full term. This **Agreement** may be extended by mutual agreement of the Parties for an ensuing five year period subject to conditions prevailing at the time of its expiration.

II.

CONSIDERATION:

Payments are due and payable annually. In consideration of this **Agreement**, **TENANT** agrees to pay to the **CITY** the following amounts:

See Exhibit "B" – Schedule of Lease Payments, attached.

III.

UTILITIES:

TENANT agrees to secure electrical, water, garbage collection and other utilities services as required, in its own name, and to pay all utility charges when the same become due.

IV.

INSURANCE:

TENANT hereby agrees to defend, indemnify and hold harmless the **CITY** against any and all claims resulting from **TENANT** activities on the property of the City of Safford.

- (1) **TENANT** further agrees to maintain the following minimum types and levels of insurance coverage:
 - (a) Commercial General Liability Insurance in the amount of \$1,000,000 per occurrence and \$1,000,000 annual aggregate. Such insurance shall contain contractual liability insurance coverage applicable leases, licenses, permits, or agreements.
 - (b) Commercial/Business Automobile Liability Insurance for all owned, non-owned and hired vehicles assigned to or used in performance of commercial activities in the amount of at least \$1,000,000 per occurrence.
 - (c) Special Causes of Loss Property Form covering all improvements and fixtures on the **TENANT'S** premises in an amount not less than the full replacement cost thereof, to the extent of the insurable interest in the premises.
 - (d) Worker's Compensation Insurance as required by law.
 - (e) Premises medical insurance in the amount of at least \$1000 each person, \$5,000 each occurrence, \$5,000 annual aggregate.
 - (f) All insurance policies cited herein shall contain a waiver of subrogation rights endorsement with respect to **CITY**.
- (2) All policies, except worker's compensation policy, shall name **CITY** "Additionally Insured," and **TENANT** shall furnish certificates of insurances evidencing the required coverage cited herein prior to engaging in any

commercial activities. Such certificates shall provide for unequivocal thirty (30) day notice of cancellation or material change of any policy limits or conditions.

V.

ASSIGNMENT:

No interest in this **Agreement** may be assigned by **TENANT** without the express written consent of the **CITY**.

VI.

MAINTENANCE:

- (1) **TENANT** shall maintain and repair the Premises and any improvements thereon.
- (2) **CITY** reserves the right to inspect the Premises at any time during normal business hours to ascertain that the site and improvements are being properly maintained.
- (2) **CITY** reserves the right to enter onto the Premises to perform maintenance and/or repairs when it is deemed necessary to protect the use and value of property, and to assess **TENANT** for the actual cost of said maintenance and/or repairs.

VII.

INDEMNIFICATION:

TENANT agrees to pay all obligations incurred in the operation of the facilities and improvements and to defend, indemnify and hold harmless the **CITY** and its officials from any and all liability there under.

VIII.

TERMINATION:

- (1) **TENANT** may terminate this **Agreement** upon giving the **CITY** ninety (90) days written notice. At the election of the **CITY**, at the termination of this **Agreement**, any and all properties and improvements on the Premises more than thirty (30) days after termination shall be the property of and owned by the **CITY** except **TENANT'S** operating equipment and personal property which remain property of **TENANT**. If the **CITY** elects to have any or all of such improvements removed, **TENANT** shall repair any damage caused by removal. If this **Agreement** is terminated at the initiation of **TENANT** or breached under the provisions of Section IX below, **TENANT** will, unless waived by **CITY**, continue to make monthly payments for a period of six (6) months after the date of termination, or until such time as **CITY** has secured another tenant for

the Premises and entered a lease agreement with such tenant. This **Agreement** is subject to termination pursuant to A.R.S. § 38-511.

- (2) The **CITY** may, at its sole discretion, terminate this **Agreement** under Section IX, part (1) for three (3) violations in any one calendar year, or six (6) violations in any two (2) year period, or for a single violation of Section IX, part (5) or (6). Notice of breach and opportunity to cure is not required for breach under Section IX, parts (1), (5) or (6). **CITY** may terminate this **Agreement** for breach, as defined in paragraph IX, parts (2) through (4) below, provided that **TENANT** is given notice of breach in writing and given thirty (30) days to cure the same or to commence cure if cure cannot be reasonably completed within thirty (30) days. If the breach is not cured or cure commenced within thirty (30) days the **CITY** may terminate this **Agreement** as stated in paragraph X below. **TENANT** is entitled to only one formal notice of breach and opportunity to cure as to parts (3) and (4) collectively below. **TENANT** is entitled to two formal notices of breach and opportunity to cure as to part (2) below within any three calendar year period. Any subsequent breaches may only be cured at the discretion of the **CITY**.

IX.

BREACH:

Each of the following events shall constitute a breach or default of this **Agreement** by **TENANT**:

- (1) If **TENANT** fails to pay **CITY** any rent when the rent is due.
- (2) If **TENANT** fails to perform or comply with any of the conditions of this Lease.
- (3) If **TENANT** vacates or abandons the premises for a continuous period of one hundred twenty (120) days.
- (4) If **TENANT** transfers or assigns this **Agreement** to any other person or party, except in the manner herein permitted.
- (5) If **TENANT** knowingly engages in any other improper conduct or course of action disruptive to the performance of this **Agreement** or to the relationship of the parties.
- (6) If **TENANT** or any partner individually, is convicted of, or if the Safford City Council finds by clear and convincing evidence that the same has committed, a criminal offense anywhere on the property owned by **CITY**.

X.

RIGHTS OF THE CITY IN THE EVENT OF DEFAULT:

In the event of any default or breach hereunder, as set forth above, **CITY** shall have the right to cancel and terminate this **Agreement**, as well as all of the right, title and interest of **TENANT** hereunder, by giving to **TENANT** not less than sixty (60) days notice of the cancellation and termination. On expiration of the time fixed in the notice, this **Agreement** and the right, title and interest of **TENANT** hereunder, shall terminate in the same manner and with the same force and effect except as to **TENANT'S** liability as if the date fixed in the notice of cancellation and termination were the end of the term. **CITY** may also cancel this **Agreement** pursuant to *Arizona Revised Statutes* §38-511.

XI.

AMENDMENT:

This **Agreement** may be amended from time to time upon the mutual agreement of both parties.

XII.

NOTIFICATION

Any notices which are required herein to be made either by the **CITY** or by the **TENANT** shall be made in writing and shall be deemed served upon the other party when personally delivered or when deposited in the U.S. Mail, postage prepaid, return receipt requested, addressed to the other party as follows:

City Manager

City of Safford

808 S. 8th Avenue

PO Box 272

Safford, AZ 85548

Russell Hardy

Ponderosa Aviation, Inc./Ponderosa Avionics, LLC

4500 Aviation Way

Safford, AZ 85546

IN WITNESS WHEREOF this Agreement has been executed on the date first written above by the parties hereto, who by their signatures affixed hereto do swear and affirm that they are authorized, in accordance with law, to execute this document.

CITY OF SAFFORD

PONDEROSA AVIATION,
INC./PONDEROSA AVIONICS, LLC

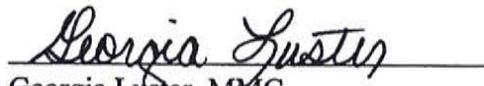


Ronald M. Green, Mayor

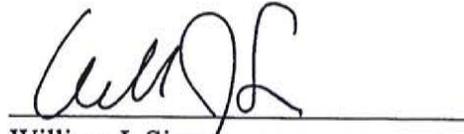


ATTEST:

APPROVED AS TO FORM:



Georgia Luster, MMC
City Clerk

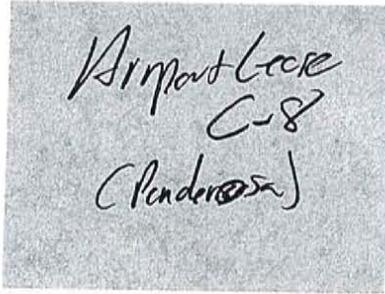


William J. Sims
Interim City Attorney

SAFFORD REGIONAL AIRPORT AUTHORITY

P.O. Box 530
Safford, Arizona 85548

C-8



December 11, 2001

Safford Title Agency
W.E. Griffin
P.O. Box 748
Safford, Arizona 85548-0748

Re: Property Lease – Single Engine Air Tankers Plat of Parcel, Lease #4, Exhibit “A” dated January 31, 1996 terminating on February 22, 2038.

Dear Mr. Griffin,

Today at the special meeting of the Safford Regional Airport Authority, the Board approved to transfer the lease from John Hunt, President of Single Engine Air Tankers, to Gary Hardy, President of Ponderosa Aviation.

Thank you for your assistance in this sale. To help expedite this assignment would you be kind enough to have both parties sign this letter as an attachment to the Lease Agreement?

Sincerely,

Ed Zappia
Secretary/Treasurer

John Hunt, Single Engine Air Tankers

Date: 12-26-01

Gary Hardy, Ponderosa Aviation

Date: 11-18-01

BROOKS N. BRYCE
W.E. GRIFFIN
D. WAYNE GRIFFIN

Safford Title Agency

OFFICE
811 W. SOUTHCOURT
PHONE: (520) 428-0542
FAX: (520) 428-7479

AGENT FOR
Stewart Title Guaranty Company
P.O. BOX 748
SAFFORD, AZ 85548-0748

December 7, 2001

Safford Airport Authority, Inc.
Safford, AZ 85546

RE: Lease of "Single Engine Air Tankers Plat of Parcel, Lease #4, dated 1-31-96"

Gentlemen,

I am in the process of handling a sale of the improvements on the above lease at the Safford Municipal Airport, pending the approval of the assignment of said lease.

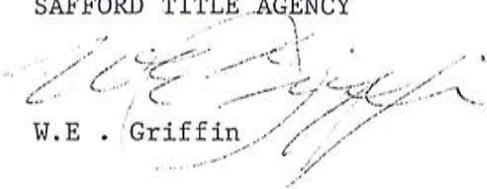
Please accept this letter as formal application for the transfer of the lease from Single Engine Air Tankers, to Ponderosa Aviation, Inc., subject to all provision of said Lease Agreement to continue in effect, pursuant to Section Six of said lease.

Affixed to this letter is the Authorization of John Hunt, President of Single Engine Air Tankers, confirming this application for assignment of said lease.

Thank you for your kind assistance in this matter. If there is anything I can do to expedite or assist you in this assignment, please feel free to call on me at anytime.

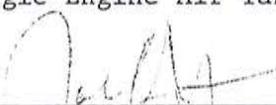
Sincerely,

SAFFORD TITLE AGENCY


W.E. Griffin

Authorized:

Single Engine Air Tankers

By: 

John Hunt - President

Safford Regional Airport

Lease Agreement

This Lease Agreement (this "Lease") is made effective as of May 1, 1996, by and between **Safford Airport Authority Inc.**, a Corporation organized under the laws of the State of Arizona, and having its principal office at Safford, Arizona, hereinafter referred to as LESSOR, and **Single Engine Air Tankers**, hereinafter referred to as "LESSEE". The Parties agree as follows:

SECTION ONE

TERM

The lease term of this Lease shall begin on May 1, 1996, and will terminate on February 22, 2038 unless terminated by other provisions of this Lease Agreement.

SECTION TWO

FACILITIES

In consideration of a monthly rental fee in an amount equal to FIVE (5) tie down spaces, one tie down space being equal to 2880 sq. ft., and the monthly fee of the tie down space in effect on the date of billing, payable monthly in advance from the day of this agreement, together with any transaction taxes, LESSOR does hereby lease to LESSEE the following designated property described on the attachment titled; Single Engine Air Tankers Plat of Parcel, Lease # 4, Exhibit "A", dated January 31, 1996.

This Lease is granted to LESSEE for the use of aircraft and personal equipment storage, aviation and airport related activities. In the event that this property ceases to be used for such purposes by LESSEE, this Lease shall be terminated and possession of this property and improvements shall restore to LESSOR.

All improvements shall be constructed according to the building code of and with a building permit from the City of Safford and shall not detract from or interfere with other uses of the airport. The facilities and improvements shall be maintained to the standards that may from time to time be set forth by the LESSOR. It is UNDERSTOOD AND AGREED that the hanger and all additional improvements shall become the property of the City of Safford upon reasonable construction and completion thereof, and acceptance by the LESSOR.

SECTION THREE

INSURANCE

LESSEE shall be responsible to maintain appropriate property insurance as may be required by LESSOR for his respective interest in the property located on the premises.

LESSEE shall be responsible to maintain appropriate liability insurance as may be required by LESSOR, naming the Safford Airport Authority and the City of Safford as insured.

SECTION FOUR

LESSEE'S RESPONSIBILITIES

LESSEE agrees that any construction and improvements shall be comparable to presently existing structures at the Safford Airport and shall be approved by the LESSOR in advance

LESSEE agrees to maintain said improvements upon the premises in a modern and up-to-date manner, with due regard to sanitation, health and environmental quality requirements of the State of Arizona and the Graham County Board of Health.

LESSEE agrees to pay all obligations incurred in the construction and operation of said improvements and to render the LESSOR and the City of Safford, Arizona and its officials, harmless from any and all liability thereunder.

LESSEE agrees to abide by all Federal, State, County and City laws, rules, regulations, ordinances, and all pesticides regulations which are applicable with the use of Airport Facilities.

LESSEE agrees to provide all the financial costs incurred with the clean up of any environmental contamination caused by LESSEE upon any of the Airport Facilities.

SECTION FIVE

DEFAULTS

LESSEE shall be in default if LESSEE fails to perform or comply with any of the conditions of this lease and if the nonperformance shall continue for a period of forty five (45) days after written notice of nonperformance is given to LESSEE.

LESSEE shall be in default if LESSEE fails to make payment within forty five (45) days after written notice of delinquency is given to LESSEE.

In the event of default by LESSEE this lease agreement shall be considered terminated.

SECTION SIX

ASSIGNMENT AND SUBLEASE

The LESSEE may sublease the property as he sees fit, provided a thirty (30) day written notice is given to the LESSOR. It is understood that all provisions of this Lease Agreement continue in effect.

The LESSEE may assign this agreement with the written approval of the LESSOR. Permission to assign shall not be unreasonably withheld by LESSOR. It is understood that that all provisions of this Lease Agreement continue in effect.

The LESSEE will be given the first opportunity after the normal expiration term of the Lease to continue Leasing on those terms and conditions that may be set by the LESSOR.

SECTION SEVEN

SEVERABILITY

If any portion of this Lease shall be held to be invalid or unenforceable for any reason, the remaining provisions shall continue to be valid and enforceable. If a court finds that any provision of this Lease is invalid or unenforceable, but that by limiting such provision, it would become valid and enforceable, the such provision shall be deemed to be written, construed, and enforced as so limited.

SECTION EIGHT

WAIVER

The failure to enforce any provisions of this Lease Agreement shall not be construed as a waiver or limitation of the LESSORS right to subsequently enforce and compel strict compliance with every provision of this Lease Agreement.

This AGREEMENT shall be binding upon the heirs, administrators, executors and assigns of the parties hereto.

IN WITNESS WHEREOF, we have hereunto set our hands this 16th day of April 1996.

LESSOR

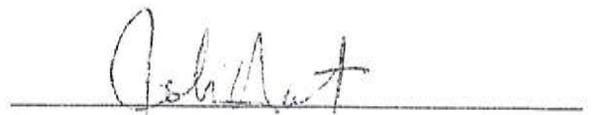
CITY OF SAFFORD AIRPORT AUTHORITY



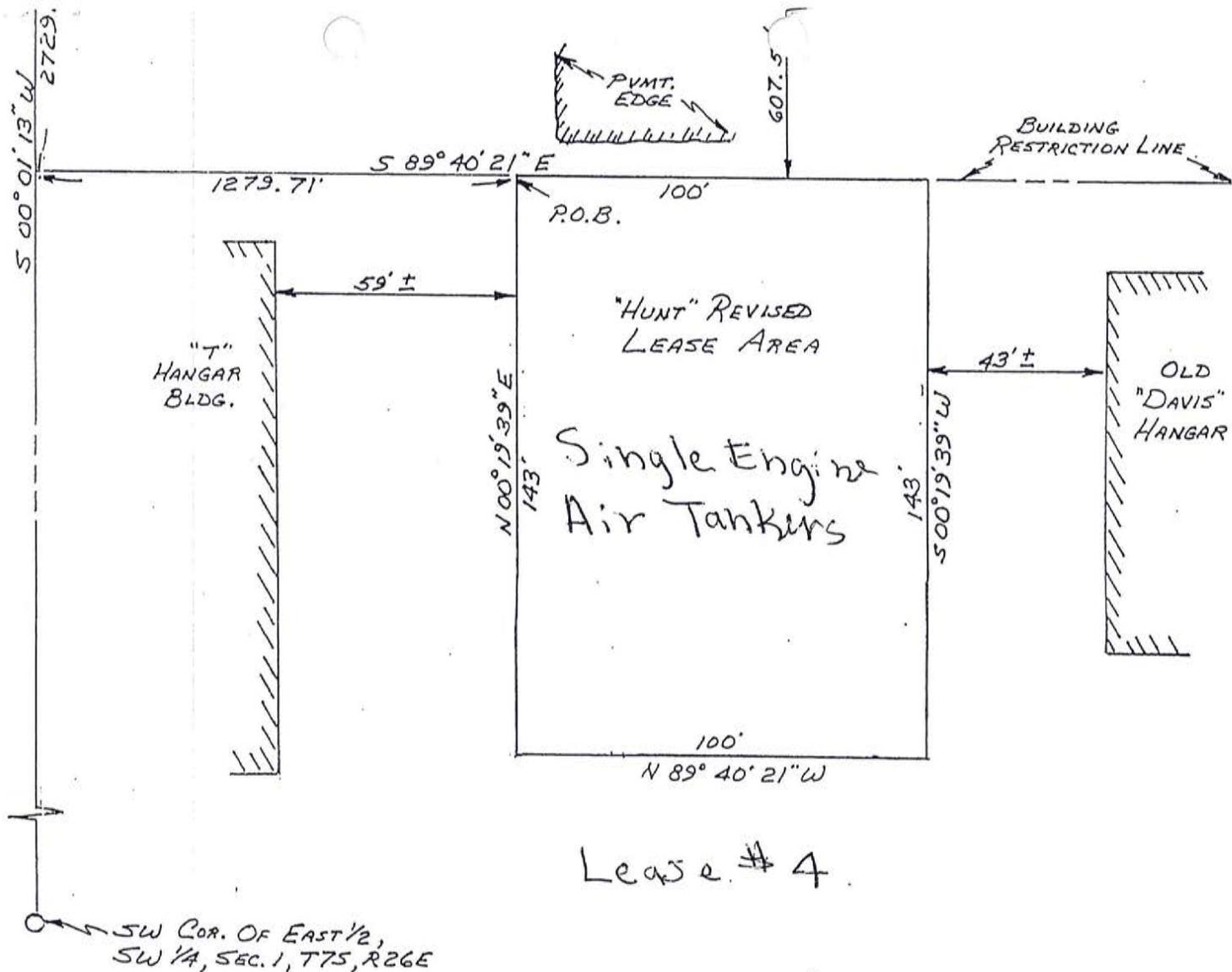
Edmund R. Zappia, President

LESSEE

SINGLE ENGINE AIR TANKERS



John Hunt



Commencing at a 1/2 inch rebar with cap at the Northwest Corner of Lot 3 of Section 1, Township 7 South, Range 26 East of the Gila and Salt River Base Meridian in Graham County, Arizona; thence S 00°01'13"W on and along the West Line of the East Half of the West Half of said Section 1, 2729.91 feet; thence S 89°40'21"E 1279.71 feet to a 1/2 inch rebar as the Point of Beginning; thence S 89°40'21"E 100 feet to a 1/2 rebar; thence S 00°19'39"W 143 feet to a 1/2 rebar; thence N 89°40'21"W 100 feet to a 1/2 rebar; thence N 00°19'39"E 143 feet to the Point of Beginning.

CITY OF SAFFORD, ARIZONA

PLAT OF PARCEL CONCERNED
IN THE ATTACHED DOCUMENT

SW 1/4 of SEC. 1
T. 7 S. R. 26 E.

EXHIBIT "A"

Approved By: *[Signature]*
CITY ENGINEER

SCALE: 1" = 40'

DRAWN BY: *R. Sanchez*

CHECKED BY: *[Signature]*

DATE: JAN. 31, 1936

**SAFFORD REGIONAL AIRPORT
COMMERCIAL HANGAR SUBLEASE AGREEMENT**

THIS AGREEMENT made and entered into this 15th day of August, 2007 by and between the City of Safford, an Arizona municipal corporation, hereinafter referred to as the City, and Swartz Ashland L.P., an Arizona limited partnership, hereinafter referred to as the Lessee, and Ponderosa Aviation, Inc., an Arizona corporation, hereinafter referred to as the Sublessee.

WITNESSETH:

Whereas, The City is the owner of the Safford Regional Airport; and,

Whereas, The City leased certain ground and hangar known as Parcel P-2 (now P-12) to Lessee for a period of 15 years from 1 July 2004 through 30 June 2019; and,

Whereas, Lessee desires to sublease such lease to Sublessee under the same terms and conditions as stated in the original lease; and,

Whereas, The City desires to ensure the continual occupation and use of its properties available for lease at the airport;

Now, Therefore, in consideration of the terms, covenants and conditions contained herein, the parties hereto do mutually agree as follows:

SUBLEASE

1. Sublessee, hereby agrees to accept all the terms and conditions of the original "Lease Agreement" as set out in Exhibit A between the City and Lessee, all as attached and incorporated herein, and assumes the full liability and obligations of such lease to the City through the Lessee.
2. Lessee, hereby agrees to remain responsible for all terms and conditions of the original lease as contained in Exhibit A and will monitor and require all such performances of the Sublessee, ~~including the collection of and forwarding of lease payments to the City.~~

js *PLS* *JRA*

3. Lessee agrees to provide to the City within 30 days of execution, any written agreements between the Lessee and Sublessee further defining their rights and obligations in connection with this Sublease Agreement.

4. Regardless of the execution date, this sublease agreement shall be effective from 15 August 2007 and shall expire no later than 31 August 2009.

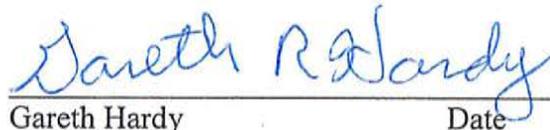
5. Notices shall be provided as stated in Exhibit A. Sublessee statutory agent: Mikel Hardy, 4500 Aviation Way, Suite A., Safford, AZ 85546

IN WITNESS WHEREOF this Agreement has been executed on the date first written above by the parties hereto, who by their signatures affixed hereto do swear and affirm that they are authorized, in accordance with law, to execute this document.

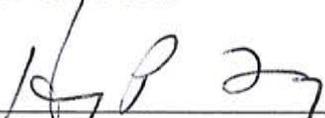
SWARTZ ASHLAND LIMITED
PARTNERSHIP

PONDEROSA AVIATION, INC.


James C. Swartz
Lessee *Authorized Agent*
Partner-
9/21/07
Date

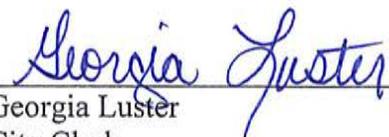

Gareth Hardy
Sublessee
President
10-1-07
Date

CITY OF SAFFORD


Huey P. Long
City Manager
10-16-07
Date

ATTEST

APPROVED AS TO FORM


Georgia Luster
City Clerk


City Attorney
Date

LEASE AGREEMENT

THIS LEASE AGREEMENT made and entered into this 21st day of April, 2004, between the City of Safford, an Arizona municipal corporation, hereinafter referred to as CITY, and Swartz Ashland L.P., an Arizona Limited Partnership, hereinafter referred to as TENANT.

CITY, for and in consideration of the payments, covenants and agreements of TENANT hereinafter contained, does hereby lease the property described below at the Safford Regional Airport to TENANT:

PARCEL P-2: Commencing at the southeast corner of Section 1, Township 7 South, Range 26 East of the Gila and Salt River Base Meridian in Graham County, Arizona; thence N 00 deg 04 min 38 sec E on and along the east line of the southeast quarter of said Section 1, 366.53 feet; thence S 89 deg 40 min 53 sec E 1165.32 feet to the Point of Beginning; thence N 44 deg 41 min 26 sec W 2223.07 feet to the true point of beginning; thence continuing N 44 deg 41 min 26 sec W 100.00 feet; thence S 45 deg 18 min 34 sec W 100.00 feet; thence S 44 deg 41 min 26 sec E 100.00 feet; thence N 45 deg 18 min 34 sec E 100 feet to the True Point of Beginning (See Exhibit "A" attached.).

NOW
P-12

I.

TERM:

THIS AGREEMENT shall commence on the 1st day of July 2004, and shall terminate on the 30th day of June 2019, unless otherwise canceled by either party prior to the expiration of its full term. This Agreement may be extended by mutual agreement of the Parties for ensuing five-year periods subject to conditions prevailing at the time of its expiration

II.

CONSIDERATION:



2004-02185
Page 1 of 7
Requested By: CITY OF SAFFORD
Wendy John, Graham County Recorder
04-21-2004 03:58 PM Recording Fee \$12.00

2004-02103 04-27-2004 Page 3 of 9

In consideration of this Agreement, TENANT agrees to pay to the CITY the following amounts:

- (1) An initial hangar lease payment of payment one thousand, eighty-eight and 18/100 dollars (\$1,088.18) per month for the first five years; thereafter adjusted on the five and ten year anniversary according to the then prevailing five year Treasury Constant Maturities plus fifty-five basis points, with the further provision that the monthly payment amount shall not fall below that of the initial amount during any ensuing period.
- (2) Ground rent, over and above hangar rental, at an initial rate of five cents (\$0.05) per square foot per annum commencing on July 1, 2004 and adjustable from time to time throughout the term of this Agreement, based upon the current commercial site lease rate adopted by the Safford City Council.

*adjusted to
\$1,121.48 on July 1
2.51*

III.

UTILITIES:

TENANT agrees to secure electrical, water, garbage and other utilities services, as required, in its own name, and to pay all utility charges when the same become due.

IV.

INSURANCE:

TENANT agrees to abide by the provisions of the Safford Regional Airport Minimum Operating Standards, as amended, and hereby agrees to defend, indemnify and hold harmless the CITY against any and all claims resulting from TENANT activities on the Safford Regional Airport. All amendments to the provisions of the Safford Regional Airport Minimum Operating Standards and any other amendments to applicable local rules or regulations shall be furnished by CITY to TENANT in accordance with the notice provisions of this lease.

V.

ASSIGNMENT:

No interest in this Agreement may be assigned by TENANT without the express written consent of the CITY, however, such assignment may not be unreasonably refused or delayed.

The CITY acknowledges and hereby grants TENANT permission to sublease these facilities to Jet Arizona, Inc. without any further approval by the City.

- ① Mr. Swartz requests proposed start date 8-15-07.
- ② Mr. Emery + I put limit of 20% VI. Mr. Swartz could charge over original amount

MAINTENANCE:

TENANT agrees to be responsible for all maintenance of the facilities and to deliver possession of the property to the CITY at the termination of this Agreement in as good a condition as it was delivered except for reasonable wear or acts of God.

VII.

SUBORDINATION TO THE UNITED STATES GOVERNMENT:

This Agreement and all the provisions hereof shall be subject to whatever right the United States Government now has, or in the future may have, or acquire, affecting the control, operation, and regulation of said Airport.

VIII.

USE:

TENANT, by accepting the terms of this Agreement, expressly agrees for itself, its successors and assigns that it will not make use of the leased premises in any manner which might interfere with the landing and taking off of aircraft from the Safford Regional Airport or otherwise constitute a hazard. In the event the aforesaid covenant is breached, CITY reserves the right to enter upon the premises hereby leased and cause the abatement of such interference at the expense of TENANT. Notwithstanding the above, herein, CITY acknowledges that TENANT operates an air ambulance service and may be required, in accordance with applicable standards of the air ambulance profession, to take action which may temporarily interfere with the landing

and taking off of aircraft. TENANT agrees to use best efforts to minimize any temporary interference.

IX.

INDEMNIFICATION:

TENANT agrees to pay all obligations incurred in the operation of the facilities and improvements and to defend, indemnify and hold harmless the CITY and its officials from any and all liability thereunder.

X.

TERMINATION:

The CITY or the TENANT shall have the right to terminate this agreement as follows:

- (1) TENANT may terminate this Agreement upon giving the CITY one hundred-eighty (180) days written notice. It is further mutually agreed that CITY, at the termination of this Lease Agreement, shall have all rights to any and all properties and improvements left on said land by TENANT more than thirty (30) days after termination, and that all the improvements on the land are the property of the CITY except TENANT'S shed, fuel tank and mobile home which remain property of TENANT. If such property is affixed to the land TENANT shall repair any damage caused by removal.
- (2) The CITY may, at its sole discretion, terminate this Agreement under Section XI, part (1) for six (6) violations in any one calendar year, or 9 violations in any two year period, or for a single violation of Section XI, part (7). Notice of breach and opportunity to cure is not required for breach under Section XI, parts (1) or (7). CITY may terminate this Agreement for breach, as defined in paragraph XI, parts (2) through (6) below, provided that TENANT is given notice of breach in writing and given thirty (30) days to cure the same or to commence cure if cure cannot be reasonably completed within thirty (30) days. If the breach is not cured or cure commenced within thirty (30) days the City may terminate this agreement as stated in paragraph XII below. TENANT is entitled to only

one formal notice of breach and opportunity to cure as to parts (3) and (4) collectively below. TENANT is entitled to two formal notices of breach and opportunity to cure as to parts (2), (5) and (6) individually below within any five calendar year period. Any subsequent breaches may only be cured at the discretion of the CITY.

**XI.
BREACH:**

Each of the following events shall constitute a breach or default of this **Agreement** by **TENANT**:

- (1) If **TENANT** fails to pay **City** any rent when the rent is due.
- (2) If **TENANT** fails to perform or comply with any of the conditions of this Lease.
- (3) If **TENANT** vacates or abandons the premises for a continuous period of one hundred twenty (120) days.
- (4) If **TENANT** transfers or assigns this **Agreement** to any other person or party, except in the manner herein permitted.
- (5) If **TENANT** fails to obey any applicable airport rule, regulation or standard or **City** ordinance.
- (6) If **TENANT** knowingly engages in any other improper conduct or course of action disruptive to the performance of this agreement or to the relationship of the parties.
- (7) If **TENANT** or any partner individually, is convicted of, or if the Safford City Council finds by clear and convincing evidence that the same has committed, a criminal offense anywhere on the property known as the Safford Regional Airport.

**XII.
RIGHTS OF THE CITY IN THE EVENT OF DEFAULT:**

In the event of any default or breach hereunder, as set forth above, **CITY** shall have the right to cancel and terminate this **Lease Agreement**, as well as all of the right, title, and interest of **TENANT** hereunder, by giving to **TENANT** not less than sixty (60) days notice of the

cancellation and termination. On expiration of the time fixed in the notice, this Lease Agreement and the right, title and interest of TENANT hereunder, shall terminate in the same manner and with the same force and effect except as to TENANT'S liability as if the date fixed in the notice of cancellation and termination were the end of the term.

**XIII
NOTIFICATION:**

Any notices which are required herein to be made either by the CITY or by the TENANT shall be made in writing and shall be deemed served upon the other party when personally delivered or when deposited in the U. S. Mail, postage prepaid, return receipt requested, addressed to the other party as follows:

City Manager
City of Safford
717 Main Street
P. O. Box 272
Safford, Arizona 85548

Swartz Ashland, L. P.
c/o Jet Arizona, Inc.
James C. Swartz, Authorized Agent
4400 E. Broadway Blvd., Suite 707
Tucson, AZ 85711

With a copy to: Ernest A. Cohen
P.O. Box 37273
Tucson, AZ 85740
Attorney for Swartz Ashland, L.P.

IN WITNESS WHEREOF this Agreement has been executed on the date first written above by the parties hereto, who by their signatures affixed hereto do swear and affirm that they are authorized, in accordance with law, to execute this document.

CITY OF SAFFORD

Swartz Ashland, L.P.

Ronald J. Jacobson
Ronald J. Jacobson
City Manager

James C. Swartz
James C. Swartz
Authorized Agent

ATTEST:

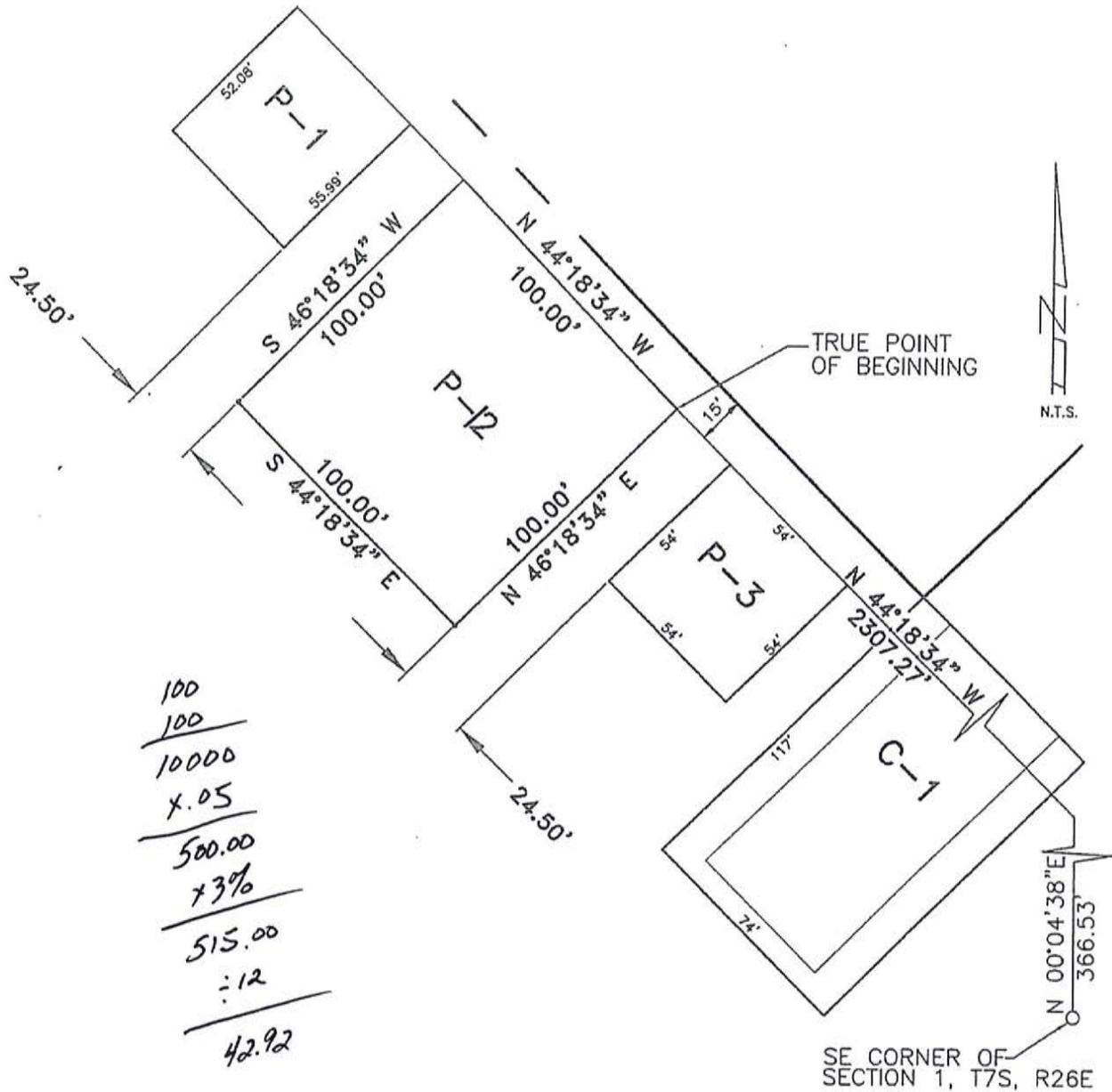
APPROVED AS TO FORM:

Sharon French
Sharon French
City Clerk

Garnet K. Emery 4-19-2004
Garnet K. Emery
City Attorney



2004-02185 04-27-2004 Page 8 of 9



BEGINNING AT THE SOUTHEAST CORNER OF SECTION 1, TOWNSHIP 7 SOUTH, RANGE 26 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN IN GRAHAM COUNTY, ARIZONA; RUNNING THENCE N 00°04'38" E ALONG THE EAST LINE OF THE SOUTH-EAST QUARTER OF SAID SECTION 1, 366.53 FEET; THENCE N 44°41'26" W 2223.07 FEET TO THE TRUE POINT OF BEGINNING; THENCE CONTINUING N 44°41'26" W 100 FEET; THENCE S 45°18'34" W 100 FEET; THENCE S 44°41'26" E 100 FEET; THENCE N 45°18'34" E 100 FEET TO THE TRUE POINT OF BEGINNING.

CITY OF SAFFORD
 PLAT OF THE PARCEL IN THE ATTACHED DOCUMENT

1/4 OF SE 1/4 OF SECTION 1
 TOWNSHIP 7 SOUTH, RANGE 26 EAST
 SCALE: N.T.S.

EXHIBIT "A"

DRAWN BY: C. EDDY
 DATE: 10/2003
 APPROVED BY:

Recording Information Above

**SAFFORD REGIONAL AIRPORT
COMMERCIAL SITE LEASE AGREEMENT**

THIS LEASE AGREEMENT (“Agreement”) made and entered into this 11th day of October, 2010, between the **City of Safford**, an Arizona municipal corporation, hereinafter referred to as **CITY**, and **Ponderosa Aviation, Inc. and/or Ponderosa Avionics, LLC** hereinafter referred to as **TENANT**.

CITY, for and in consideration of the payments, covenants and agreements of **TENANT** hereinafter contained, does hereby lease the property described below at the Safford Regional Airport (“Premises”) to **TENANT** for purposes of commercial development.

PARCEL H-3. COMMENCING AT A ½” REBAR WITH CAP AT THE NORTHWEST CORNER OF LOT 3 OF SECTION 1, TOWNSHIP 7 SOUTH, RANGE 26 EAST OF THE GILA AND SALT RIVER BASE MERIDIAN IN GRAHAM COUNTY, ARIZONA; THENCE S 00 DEG 01 MIN 13 SEC W ON AND ALONG THE WEST LINE OF THE EAST HALF OF THE WEST HALF OF SAID SECTION 1, 2729.91 FEET; THENCE S 89 DEG 40 MIN 21 SEC E 1407.71 FEET TO A ½” REBAR AS THE POINT OF BEGINNING; THENCE S 89 DEG 40 MIN 21 SEC E 77.00 FEET TO A 1/2" REBAR; THENCE S 00 DEG 19 MIN 39 SEC W 100.00 FEET TO A ½” REBAR; THENCE N 89 DEG 40 MIN 21 SEC W 77.00 FEET TO A ½” REBAR; THENCE N 00 DEG 19 MIN 39 SEC E 100.00 FEET TO THE POINT OF BEGINNING. (SEE EXHIBIT “A” ATTACHED).

I.

TERM:

THIS AGREEMENT shall commence on the 11th day of October, 2010 and shall terminate on the 22nd day of February, 2038 unless otherwise terminated by either party prior to the expiration of its full term. This **Agreement** may not be extended unless approved by the City Council.

II.

CONSIDERATION:

In consideration of this **Agreement**, **TENANT** agrees to pay to the **CITY** in consideration of an annual rental fee in an amount of \$2,400.00 payable annually in advance from the day of this **Agreement**, together with any transaction taxes, **CITY** does hereby lease to **TENANT** the following designated property describe on the attachment titled **EXHIBIT "A" H-3 LEASE AREA**. The second year of this **Agreement** will be forgiven in exchange for **TENANT** undertaking demolition of the structure. After year two, the **Agreement** will be converted to a **Ground Lease Agreement** for twenty six (26) years and escalating \$.01 each successive five (5) year period. **TENANT** would have a twenty six (26) year renewal option to be exercised twelve (12) months prior to the expiration of the initial **Agreement**. The increasing .01 per five (5) year period remains intact.

III.

UTILITIES:

TENANT agrees to secure electrical, water, garbage collection and other utilities services as required, in its own name, and to pay all utility charges when the same become due.

IV.

INSURANCE:

TENANT hereby agrees to defend, indemnify and hold harmless the **CITY** against any and all claims resulting from **TENANT** activities on the property of the City of Safford.

- (1) **TENANT** further agrees to maintain the following minimum types and levels of insurance coverage:
 - (a) Commercial General Liability Insurance in the amount of \$1,000,000 per occurrence and \$1,000,000 annual aggregate. Such insurance shall contain contractual liability insurance coverage applicable leases, licenses, permits, or agreements.
 - (b) Commercial/Business Automobile Liability Insurance for all owned, non-owned and hired vehicles assigned to or used in performance of commercial activities in the amount of at least \$1,000,000 per occurrence.
 - (c) Special Causes of Loss Property Form covering all improvements and fixtures on the **TENANT'S** premises in an amount not less than the full replacement cost thereof, to the extent of the insurable interest in the premises.

- (d) Worker's Compensation Insurance as required by law.
 - (e) Premises medical insurance in the amount of at least \$1000 each person, \$5,000 each occurrence, \$5,000 annual aggregate.
 - (f) All insurance policies cited herein shall contain a waiver of subrogation rights endorsement with respect to CITY.
- (2) All policies, except worker's compensation policy, shall name CITY "Additionally Insured," and TENANT shall furnish certificates of insurances evidencing the required coverage cited herein prior to engaging in any commercial activities. Such certificates shall provide for unequivocal thirty (30) day notice of cancellation or material change of any policy limits or conditions.

V.

ASSIGNMENT:

No interest in this Agreement may be assigned by TENANT without the express written consent of the CITY.

VI.

MAINTENANCE:

- (1) TENANT shall maintain and repair the Premises and any improvements thereon.
- (2) CITY reserves the right to inspect the Premises at any time during normal business hours to ascertain that the site and improvements are being properly maintained.
- (3) CITY reserves the right to enter onto the Premises to perform maintenance and/or repairs when it is deemed necessary to protect the use and value of property, and to assess TENANT for the actual cost of said maintenance and/or repairs.

VII.

INDEMNIFICATION:

TENANT agrees to pay all obligations incurred in the operation of the facilities and improvements and to defend, indemnify and hold harmless the CITY and its officials from any and all liability there under.

VIII.

TERMINATION:

- (1) **TENANT** may terminate this **Agreement** upon giving the **CITY** ninety (90) days written notice. If this **Agreement** is terminated at the initiation of **TENANT** or breached under the provisions of Section IX below, **TENANT** will, unless waived by **CITY**, continue to make monthly payments for a period of six (6) months after the date of termination, or until such time as **CITY** has secured another tenant for the Premises and entered a lease agreement with such tenant. This **Agreement** is subject to termination pursuant to A.R.S. § 38-511.

- (2) The **CITY** may, at its sole discretion, terminate this **Agreement** under Section IX, part (1) for three (3) violations in any one calendar year, or six (6) violations in any two (2) year period, or for a single violation of Section IX, part (5) or (6). Notice of breach and opportunity to cure is not required for breach under Section IX, parts (1), (5) or (6). **CITY** may terminate this **Agreement** for breach, as defined in paragraph IX, parts (2) through (4) below, provided that **TENANT** is given notice of breach in writing and given thirty (30) days to cure the same or to commence cure if cure cannot be reasonably completed within thirty (30) days. If the breach is not cured or cure commenced within thirty (30) days the **CITY** may terminate this **Agreement** as stated in paragraph X below. **TENANT** is entitled to only one formal notice of breach and opportunity to cure as to parts (3) and (4) collectively below. **TENANT** is entitled to two formal notices of breach and opportunity to cure as to part (2) below within any three calendar year period. Any subsequent breaches may only be cured at the discretion of the **CITY**.

- (3) All alterations, additions or improvements made by **TENANT** and all fixtures attached to the Premises shall become the property of the **CITY** or, at the option of the **CITY**, any or all of the foregoing shall be removed at the cost of the **TENANT** before the expiration or sooner termination of this **Agreement** and in such event the **TENANT** shall repair all damage to the Premises caused by the installation and/or the removal thereof.

IX.

BREACH:

Each of the following events shall constitute a breach or default of this **Agreement** by **TENANT**:

- (1) If **TENANT** fails to pay **CITY** any rent when the rent is due.

- (2) If **TENANT** fails to perform or comply with any of the conditions of this Lease.

- (3) If **TENANT** vacates or abandons the premises for a continuous period of one hundred twenty (120) days.
- (4) If **TENANT** transfers or assigns this **Agreement** to any other person or party, except in the manner herein permitted.
- (5) If **TENANT** knowingly engages in any other improper conduct or course of action disruptive to the performance of this **Agreement** or to the relationship of the parties.
- (6) If **TENANT** or any partner individually, is convicted of, or if the Safford City Council finds by clear and convincing evidence that the same has committed, a criminal offense anywhere on the property owned by **CITY**.

X.

RIGHTS OF THE CITY IN THE EVENT OF DEFAULT:

In the event of any default or breach hereunder, as set forth above, **CITY** shall have the right to cancel and terminate this **Agreement**, as well as all of the right, title and interest of **TENANT** hereunder, by giving to **TENANT** not less than sixty (60) days notice of the cancellation and termination. On expiration of the time fixed in the notice, this **Agreement** and the right, title and interest of **TENANT** hereunder, shall terminate in the same manner and with the same force and effect except as to **TENANT'S** liability as if the date fixed in the notice of cancellation and termination were the end of the term. **CITY** may also cancel this **Agreement** pursuant to *Arizona Revised Statutes §38-511*.

XI.

AMENDMENT:

This **Agreement** may be amended from time to time upon the mutual agreement of both parties.

XII.

NOTIFICATION

Any notices which are required herein to be made either by the **CITY** or by the **TENANT** shall be made in writing and shall be deemed served upon the other party when personally delivered or when deposited in the U.S. Mail, postage prepaid, return receipt requested, addressed to the other party as follows:

City Manager
City of Safford
808 S. 8th Avenue
PO Box 272
Safford, AZ 85548

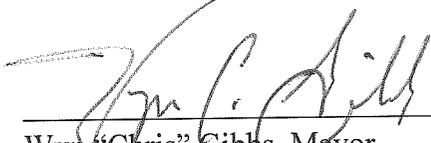
Ponderosa Aviation, Inc. and/or Ponderosa Avionics, LLC

Russel Hardy
4500 Aviation Way
Safford, AZ 85546

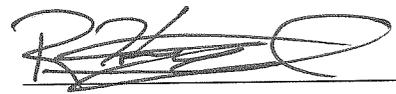
IN WITNESS WHEREOF this Agreement has been executed on the date first written above by the parties hereto, who by their signatures affixed hereto do swear and affirm that they are authorized, in accordance with law, to execute this document.

CITY OF SAFFORD

PONDEROSA AVIONICS, INC.



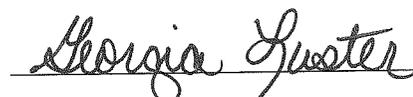
Wyn "Chris" Gibbs, Mayor
City of Safford



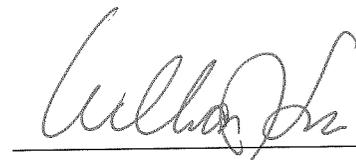
Russel Hardy

ATTEST:

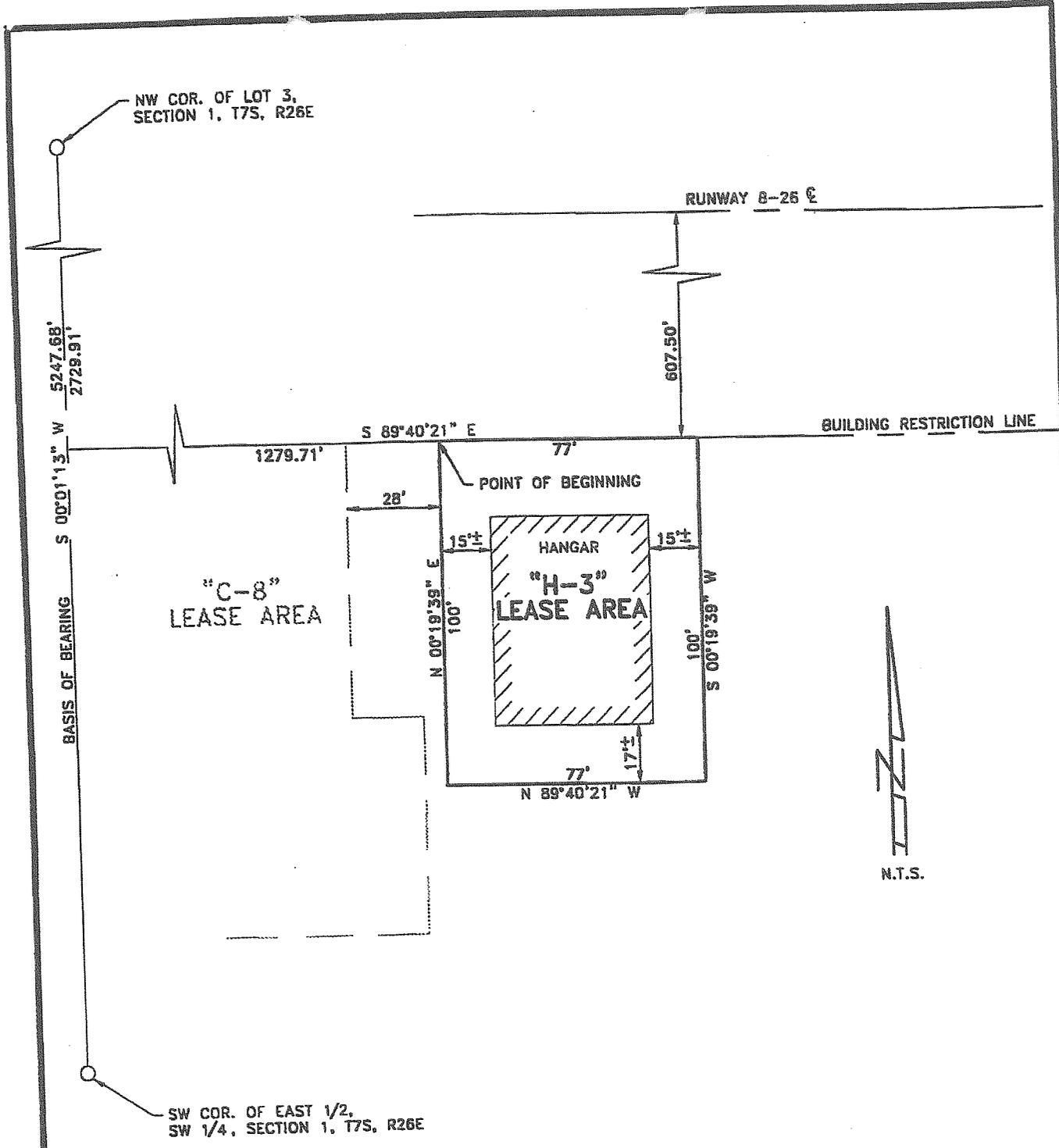
APPROVED AS TO FORM:



Georgia Luster, City Clerk
MMC



William J. Sims
Interim City Attorney



COMMENCING AT A 1/2" REBAR WITH CAP AT THE NORTHWEST CORNER OF LOT 3 OF SECTION 1, TOWNSHIP 7 SOUTH, RANGE 26 EAST OF THE GILA AND SALT RIVER BASE MERIDIAN IN GRAHAM COUNTY, ARIZONA; THENCE S 00°01'13" W ON AND ALONG THE WEST LINE OF THE EAST HALF OF THE WEST HALF OF SAID SECTION 1, 2729.91 FEET; THENCE S 89°40'21" E 1407.71 FEET TO A 1/2" REBAR AS THE POINT OF BEGINNING; THENCE S 89°40'21" E 77.00 FEET TO A 1/2" REBAR; THENCE S 00°19'39" W 100.00 FEET TO A 1/2" REBAR; THENCE N 89°40'21" W 77.00 FEET TO A 1/2" REBAR; THENCE N 00°19'39" E 100.00 FEET TO THE POINT OF BEGINNING.

CITY OF SAFFORD
 PLAT OF THE PARCEL IN THE ATTACHED DOCUMENT

1/4 OF SE 1/4 OF SECTION 1
 TOWNSHIP 7 SOUTH, RANGE 26 EAST

EXHIBIT 99 Δ

DRAWN BY: R. SANCHEZ
 DATE: 10-8-98

RESOLUTION NO. 10-035

Ponderosa Aviation, Inc. and/or Ponderosa Avionics, LLC

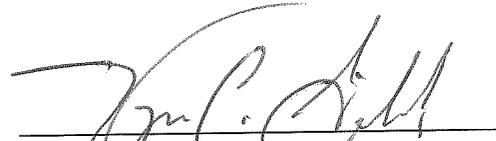
**A RESOLUTION OF THE MAYOR AND CITY COUNCIL
OF THE CITY OF SAFFORD, GRAHAM COUNTY,
ARIZONA AUTHORIZING THE MAYOR TO ENTER
AIRPORT HANGAR LEASE AGREEMENT.**

WHEREAS, the City of Safford, Graham County, Arizona, owns real property available for airport hangar purposes; and,

WHEREAS, Ponderosa Aviation, Inc. and/or Ponderosa Avionics, LLC is in need of additional hangar space and the City of Safford owns hangar H-3, (Exhibit A); and,

NOW THEREFORE BE IT RESOLVED, by the Mayor and City Council of the City of Safford, pursuant to A.R.S. §§ 9-241, 9-500.05 and 9-500.11, the Mayor is authorized to enter and execute said airport hangar lease between the City of Safford and Ponderosa Aviation, Inc. and/or Ponderosa Avionics, LLC, known as "H-3" airport hangar for a two (2) year period, converting to a **Ground Lease Agreement** for twenty six (26) years and having a twenty six (26) year renewal option in accordance with the Airport Hangar Agreement terms and conditions attached and incorporated herein and terminating on February 22, 2038..

PASSED, ADOPTED AND APPROVED by the Mayor and City Council of the City of Safford, Graham County, Arizona this 11th day of October 2010.



Wyn "Chris" Gibbs, Mayor
City of Safford

ATTEST:



Georgia Luster, City Clerk
MMC

APPROVED AS TO FORM:



William J. Sims
Interim City Attorney

FBO LEASE AGREEMENT
Safford Regional Airport

THIS AGREEMENT is made effective April 1, 2012, by and between the City of Safford, hereinafter referred to as "CITY" and Ponderosa Aviation Inc. hereinafter referred to as "FBO".

WITNESSETH:

WHEREAS, CITY now owns, controls and operates the Safford Regional Airport, hereinafter referred to as "Airport" in Graham County, Arizona.

WHEREAS, Fixed Base Operation (FBO) services are essential to the proper accommodation of general aviation at the airport; and

WHEREAS, CITY previously advertised for Request for Proposals (RFP) for FBO services at the airport; and

WHEREAS, CITY deems it advantageous to itself and to its operation of the Airport to grant unto FBO certain rights, privileges and uses therein, as necessary to conduct its fixed base operation as hereinafter set forth.

NOW THEREFORE, and in consideration of these premises and the mutual promises and covenants of the parties hereto, it is agreed as follows:

ARTICLE I
TERM

- A. The term of this Agreement shall be for a period of three (3) years, commencing on April 1, 2012 and ending on March 30, 2015, unless terminated earlier under the provisions of this Agreement. This Lease Agreement will be automatically renewed for three (3) additional years in accordance with and acceptance of the terms and conditions herein specified. Such renewal of this Lease Agreement shall be conditional upon the satisfactory performance by it during the term of this Lease Agreement as determined by the CITY.
- B. Both parties shall have the option to negotiate changes in this lease if FBO exercises its option to renew.

ARTICLE II
RIGHTS AND OBLIGATIONS OF LESSEE

- A. REQUIRED SERVICES: FBO is hereby granted the non-exclusive privilege to engage in and FBO agrees to engage in the business of providing the following services:
1. FBO shall maintain vehicle mounted fuel storage and dispensing tank(s) upon the airport property which shall be adequate for the purposes herein described in accordance with the approval of CITY.
 2. FBO shall maintain an adequate supply of aviation fuel and lubricants in the storage tanks located on premises to meet the reasonable demands for aviation fuels, lubricants.
 3. FBO shall endeavor to provide fuel to customers at a fair and equitable price. FBO shall regularly scan competing General Aviation airports in the region to ensure fair and competitive pricing for our resident planes and transient flyers. Current pricing should always be posted on the Air Nav Site.
- B. AUTHORIZED SERVICES: In addition to the services required to be provided by FBO as described herein above, FBO is authorized, but not required, to provide the following services and to engage in the following activities:
1. Apron service's including loading and unloading of passengers, baggage, mail and freight; and providing of ramp equipment and ramp service's such as repositioning of aircraft on the ramp, aircraft cleaning and other services for commercial operators and other persons or firms.
 2. Special flight services, including aerial sightseeing, aerial advertising, and aerial photography.
 3. The sale of new and used aircraft.
 4. Flight training.
 5. Aircraft rental.
 6. Aircraft charter operations, conducted by FBO or a subcontractor of FBO in accordance with applicable Federal Aviation Regulations.

- C. OPERATING STANDARDS: In providing any of the required and/or authorized services or activities specified in this Agreement, FBO shall operate for the use and benefit of the public and shall meet or exceed the following standards:
1. FBO shall furnish service on a fair, reasonable and non-discriminatory basis to all users of the Airport. FBO shall furnish good, prompt and efficient service adequate to meet all reasonable demands for its services at the Airport. FBO shall charge fair, reasonable and non-discriminatory prices for each unit of sale or service provided, however, FBO may be allowed to make reasonable and non-discriminatory discounts, rebates or other similar types of price reductions to volume purchasers.
 2. FBO shall meet all expenses and payments in connection with the use of the premises and the rights and privileges herein granted, including taxes, permit fees, license fees, registrations, and assessments lawfully levied or assessed upon the premises or property at any time situated therein and thereon. FBO may, however, at its sole expense and cost, contest any tax, fee or assessment as provided by Arizona law.
 3. FBO shall comply with all federal, state and local laws, rules and regulations which may apply for the storage and dispensing of aviation fuels and to the conduct of the business's contemplated, including rules and regulations promulgated by CITY and FBO shall keep in effect and post in a prominent place all necessary and/or required licenses or permits.
 4. FBO shall keep and maintain the leased premises in good condition and order, and shall surrender the same upon the expiration of this Agreement, in the condition in which they are required to be kept, reasonable wear and tear and damage by the elements not caused by FBO's negligence excepted.
 5. FBO shall maintain and operate all facilities associated with the storage of FBO's petroleum products, chemicals, or other products located only within the Fuel and Airport Maintenance Equipment Storage Area leased premises described by Article II, paragraph A of this Agreement, in compliance with all Federal and State laws. Any new fuel tank installations installed on FBO'S leased Fuel and Airport Maintenance Equipment Storage Area shall require the permission of the CITY and shall be above ground storage tanks and shall comply with Uniform Fire Code provisions as administered by State Fire Marshal's Office and all applicable Federal rules.

6. All Hazardous Materials must be appropriately labeled and stored. In the event that a hazardous material spill occurs on the leased property or on CITY owned airport premises, it is the responsibility of the FBO to have the spill cleaned up according to State and Federal Laws and Regulations. FBO is aware that there are significant penalties for improperly disposing of wastes or submitting false information, including the possibility of fine and imprisonment for knowing violations.
- D. NON EXCLUSIVE RIGHT: It is not the intent of this Agreement to grant to FBO the exclusive right to provide any or all of the services described in this article at any time during the term of this Agreement. CITY reserves the right, at its sole discretion, to grant others certain rights and privileges upon the Airport which may be similar in part or in whole to those granted to FBO. However, CITY does covenant and agree that:
1. It shall enforce all minimum operating standards or requirements for all aeronautical endeavors and activities conducted at the Airport;
 2. Any other operator of aeronautical endeavors or activities will not be permitted to operate on the Airport under rates, terms or conditions which are more favorable than those set forth in this Agreement;
 3. It will not permit the conduct of any aeronautical endeavor or activity at the Airport except under an approved lease and operating agreement.

ARTICLE IV
APPURTENANT PRIVILEGES

- A. USE OF AIRPORT FACILITIES: In connection with this Agreement, FBO shall have full access, together with its employees and invitees, its sub-lessees and their employees, without charge, to and from the leased premises, and to and from all public spaces and facilities on the airport including the use of landing areas, runways, taxiways, and aircraft parking areas designated by the CITY.

ARTICLE V
PAYMENTS

- A. RENTS & FEES: Inconsideration of the rights and privileges granted by this Agreement, FBO agrees to pay to CITY during the term of this Agreement the following:

1. FEES: FBO shall collect a fuel flowage fee and pay to the CITY the amount per gallon set by the CITY from time to time for all aviation fuels sold by FBO, including fuels used by FBO in its own operations. Fuel flowage fees shall be collected regardless of when such activity occurred during the calendar year and also with no regard to where the re-fueling operation occurred, for example on airport or off airport premises.
- B. PAYMENTS:
1. The fees specified in ARTICLE VI, Paragraph A.2 above shall be paid to the CITY on or before the tenth (10th) day of each month following the month in which fees were paid to FBO. FBO shall keep true and accurate records, which shall show the total gallonage of aviation fuels used. With the payment of the charges specified in this paragraph, FBO shall submit a report of gallonage using Exhibit "C".
- C. RECORDS: In addition to records and reports required by Paragraph B.1 above, FBO shall provide and maintain accurate records of retail fuel sales and adjusted gross receipts derived under this Agreement, for a period of three (3) years from the date the record is made. The CITY or its duly authorized representative shall have the right at all reasonable times during business hours to audit the books, records, and receipts of FBO, and to verify FBO's fuel sales and adjusted gross receipts and tie down fees collected.
- D. DISPUTES: In the event that any dispute may arise as to fuel sales collected, the amount claimed due by the CITY shall be paid forthwith. The dispute shall be submitted to a Certified Public Accountant, agreeable to both parties, who shall determine the rights of the parties hereunder to conformity with generally accepted accounting principles. The fees due said accountant for such service shall be paid by the unsuccessful party, or in the event the determination is partially in favor of each party, the fee shall be borne equally by the parties.

ARTICLE VI
UTILITIES

Except for utilities furnished for Airport security lighting by the CITY, FBO shall assume and pay for all costs or charges for utility services furnished to FBO during the term of this Agreement.

ARTICLE VII
INSURANCE

- A. REQUIRED INSURANCE: FBO shall obtain and maintain continuously in effect at all times during the term of this Agreement, at FBO'S sole expense, Public Liability and Property Damage insurance with limits of not less than One Million Dollars (\$1,000,000) for injury to or death of any one person, subject to a limitation of not less than Two Million Dollars (\$2,000,000) for all persons injured or killed in the same accident and with limits of not less than One Million Dollars (\$1,000,000) for damage to and destruction of property as the result of any injury or damage caused by FBO'S negligence in its operations under this Lease. The FBO's insurance policy shall name the City and its officers, officials and employees as an additional insured, shall be primary to any other insurance maintained by the City, shall not be cancelled without at least thirty (30) days prior written notice to City and shall contain a waiver of subrogation against the City and its officers, officials and employees.
- B. NOTICE: CITY agrees to notify FBO in writing as soon as practicable of any claim, demand or action arising out of an occurrence covered hereunder of which CITY has knowledge, and to cooperate with FBO in the investigation thereof.

ARTICLE VIII
INDEMNIFICATION

FBO will indemnify and hold the CITY harmless from any loss, liability or expense for injury to or death to any person, or loss or destruction of any property caused by FBO'S negligent use or occupancy of the Leased Premises, except a loss, liability or expense caused by the sole negligence or sole willful misconduct of the CITY, its agents or employees. FBO hereby expressly waives any and all claims against the CITY for compensation for any and all losses or damage sustained by reasons of any defect, deficiency or impairment of any electrical service system, or electrical appliances or wires serving the Leasehold of FBO or any water, gas or other utility system serving the Leasehold of the FBO.

ARTICLE IX
LESSEE AS INDEPENDENT CONTRACTOR

In conducting its business hereunder, FBO acts as an independent contractor and not as an agent of CITY. The selection, retention, assignment, direction and payment of FBO'S employees, if any, shall be the sole responsibility of FBO. FBO shall at all times during the term of this Agreement maintain Workers Compensation

Insurance on its employees directly related to the operation of the FBO. Copy of Workers Compensation Certificate of Insurance shall be provided to the CITY.

ARTICLE X
ASSIGNMENT

FBO shall not, in any manner, directly or indirectly, assign, transfer or encumber this Lease and concession agreement or any portion thereof, or interest therein, or sublet or sublease the whole or any part of the premises or facilities let to it, nor license the use of same, in whole or in part, by any other person, firm or corporation, without the written consent of the CITY; provided that the foregoing shall not prevent the assignment of this Lease and concession agreement to any corporation with which FBO may merge or consolidate, or which may succeed to the authorized under the concession granted herein at the Airport.

This Lease and concession agreement shall be binding upon and shall inure to the benefit of the successors, heirs and assigns of the parties hereto.

ARTICLE XI
NON-DISCRIMINATION

FBO, its agents and employees shall not discriminate against any person or class of persons by reason of race, color, creed or national origin in providing any services or in the use of any of its facilities provided for the public, in any manner prohibited by the applicable Federal Aviation Regulations.

ARTICLE XII
DEFAULT AND TERMINATION

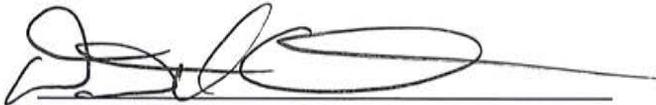
- A. TERMINATION BY LESSEE: This Agreement shall be subject to termination by FBO in the event of any one or more of the following events:
1. The abandonment of the Airport as an airport or airfield for any type, class or category of aircraft.
 2. The default by CITY in the performance of any of the terms, covenants or conditions of this Agreement, and the failure of CITY to remedy or undertake to remedy, to FBO'S satisfaction, such default within a period of thirty (30) days after receipt of written notice from FBO to remedy same.
 3. Damage to or destruction of all or a material part of the premises or airport facilities necessary to the operation of FBO'S business.

4. The lawful assumption by the United States, or any authorized agency thereof, of the operation, control or use of the airport, or any substantial parts thereof, in such a manner to restrict FBO from conducting business operations for a period in excess of ninety (90) days.
- B. TERMINATION BY LESSOR: This Agreement shall be subject to termination by CITY in the event any one or more of the following events:
1. The default by FBO in the performance of any of the terms, covenants or conditions of this Agreement, and the failure of FBO to remedy, or undertake to remedy, to CITY'S satisfaction, such default within a period of thirty (30) days after receipt of written notice from CITY to remedy same.
 2. FBO files a voluntary petition in bankruptcy, including a reorganization plan, makes a general or other assignment for the benefit of creditors, is adjudicated as bankrupt or if a receiver is appointed for the property or affairs of FBO and such receivership is not vacated within thirty (30) days after the appointment of such a receiver.
 3. Arizona legislative or CITY action which would cause the CITY to abandon, close, or otherwise discontinue operating the airport.
- C. EXERCISE: Exercise of the rights of termination set forth in Paragraphs A and B above shall be by notice to the other party within thirty (30) days following the event giving rise to the termination.
- D. REMOVAL OF PROPERTY: Upon termination of this Agreement for any reason, FBO, at its sole expense, shall remove from the premises all signs, trade fixtures, furnishings, personal property, equipment and materials which FBO was permitted to install or maintain under the rights granted herein. If FBO shall fail to do so within thirty (30) days, then CITY may effect such removal or restoration at FBO'S expense, and FBO agrees to pay CITY such expense promptly upon receipt of a proper invoice therefor.
- E. CAUSES OF BREACH; WAIVER:
1. Neither party shall be held to be in breach of this Agreement because of any failure to perform any of its obligations hereunder if said failure is due to any cause for which it is not responsible and over which it has no control; provided, however, that the foregoing provision shall not apply to failures by FBO to pay fees, rents, or other charges to CITY.

2. The waiver of any breach, violation or default in or with respect to the performance or observance of the covenants and conditions contained herein shall not be taken to constitute a waiver of any such subsequent breach, violation or default in or with respect to the same or any other covenant or condition hereof.

ARTICLE XIII
MISCELLANEOUS PROVISIONS

- A. ENTIRE AGREEMENT: This Agreement constitutes the entire understanding between the parties, and as of its effective date supersedes all prior or independent agreements between the parties covering the subject matter hereof. Any change or modification hereof must be in writing signed by both parties.
- B. SEVERABILITY: If a provision hereof shall be finally declared void or illegal by any court or administrative agency having jurisdiction, the entire Agreement shall not be void, but the remaining provisions shall continue in effect as nearly as possible in accordance with the original intent of the parties.
- C. NOTICES: All notices shall be sent to:

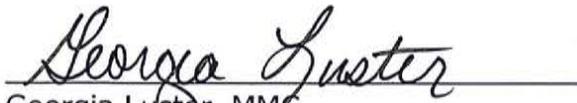


David Kincaid, City Manager
City of Safford
P.O. Box 272
Safford, AZ 85548
928) 432-4011

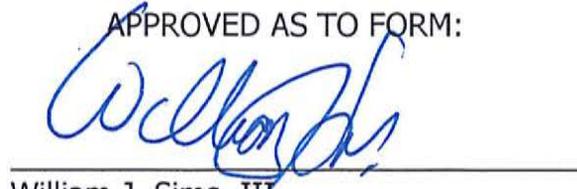


Mikel Hardy
Ponderosa Aviation, Inc.
4500 Aviation Way
Safford, AZ 85546
(928)428-7820

ATTEST:


Georgia Luster, MMC
City Clerk

APPROVED AS TO FORM:


William J. Sims, III
Interim City Attorney



CITY COUNCIL COMMUNICATION

TO: Mayor and Council

FROM: Terry Quest, Finance Director

SUBJECT: Authorize the sale/placement of Tax-Exempt Excise Tax Revenue Refunding Obligations, Series 2015

DATE: Monday, December 22, 2014 at 6:00 p.m.

Purpose and Recommended Action: This is a request for the City Council to approve Resolution Number 14-038, authorizing the sale of up to \$7.5 million of Excise Tax Revenue Refunding Obligations. Staff is making this recommendation because of the low interest rates in the municipal bond/private placement market which currently prevails. The proposed January 2015 placement/sale would refund certain GADA 2006-A bonds with a stated interest rate of 5% and replaced with an average rate of 2.50 – 3.00% (estimated and subject to receipt of bids in January).

Background: On March 2006 the city entered into a \$9.4 million Loan Repayment Agreement with the Greater Arizona Development Authority to fund various street improvements (see attachment 1 - list of specific street improvements completed). After the forthcoming July 1, 2015 principal payment, the amount outstanding will be \$6.3 million of which \$5.8 million is callable and potentially eligible to be refunded at lower interest rates. The bonds mature from July 1, 2015 – July 1, 2025 and have an average debt service payment of \$800,000. The Finance department along with the city's placement agent/underwriter (Mark Reader and Erika Miller of Stifel) and bond counsel recently analyzed the debt obligation and identified this possible refunding opportunity that is fiscally prudent for the council to consider. Current market rates are estimated at between 2.5% and 3.0%.

An assessment of the conditions of these streets suggest that will remain in good usable conditions beyond the proposed debt repayment schedule.

Analysis: Staff reviewed all the available refinancing options on the outstanding loan repayment agreement and would like to present two of those options for your review and approval.

Option 1: Refund the outstanding amount keeping the life of the original terms thus capitalizing on the cash flow savings gained from the possible reduction in the interest rates. This savings is estimated to be about \$590,000 (cash flow savings) and \$525,000 net present value. The immediate benefit of this decision would be an average reduction in the annual payments of approximately \$56,000. (Please see **Scenario 1** in the package for details.)

Option 2: Refund the outstanding amount and add an additional four years to the terms taking the payoff date from 2025 to 2029. This option provides the maximum amount of flexibility to the City and still realize about \$330,000 in net present value saving to the city, while creating some budget capacity for another possible issuance of bonds in 2016 to fund a public safety facility like a new Police station. (Please see **Scenario 2** in the package for details.)

Recommendation: Approve Resolution Number 14-038 authorizing the sale of refunding obligations and extend the debt for an additional four years.

RESOLUTION NUMBER 14-038
(TAX-EXEMPT)

RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SAFFORD, ARIZONA, GRAHAM COUNTY, ARIZONA, (1) PROVIDING FOR THE SALE AND EXECUTION AND DELIVERY PURSUANT TO A FIRST EXCISE TAX TRUST AGREEMENT (TAX-EXEMPT) OF AN EXCISE TAX REVENUE REFUNDING OBLIGATION (TAX-EXEMPT), SERIES 2015, EVIDENCING ALL OF THE INTERESTS OF THE HOLDER THEREOF IN INSTALLMENT PAYMENTS OF THE PURCHASE PRICE TO BE PAID BY THE CITY OF SAFFORD, ARIZONA, PURSUANT TO A FIRST EXCISE TAX PURCHASE AGREEMENT (TAX-EXEMPT); (2) AUTHORIZING THE COMPLETION, EXECUTION AND DELIVERY WITH RESPECT THERETO OF AGREEMENTS NECESSARY OR APPROPRIATE AS PART OF THE REFINANCING AND PAYING RELATED FINANCING COSTS; (3) DELEGATING TO THE MAYOR, THE CITY MANAGER AND THE FINANCE DIRECTOR CERTAIN AUTHORITY WITH RESPECT TO THE PURPOSES HEREOF; (4) ADOPTING POST-ISSUANCE TAX COMPLIANCE PROCEDURES IN CONNECTION WITH ISSUANCE OF OBLIGATIONS OF THE CITY; (5) AUTHORIZING THE FINANCE DIRECTOR TO EXPEND ALL NECESSARY FUNDS THEREFOR AND (6) DECLARING AN EMERGENCY.

WHEREAS, the Mayor and Council of the City of Safford, Arizona (the “City”), have determined to prepay amounts due pursuant to certain project lease/purchase agreements (the “Hangar Leases”) entered into between the City and The Stockmans Bank for the purpose of financing the costs of hangars at the airport of the City and prepay a portion of the amounts due pursuant to the Loan Repayment Agreement, dated as of March 1, 2006 (the “First Loan Repayment Agreement”), entered into between the City and the Greater Arizona Development Authority for the purpose of financing the costs of street improvements in and for the City (hereinafter referred to, collectively, as the “Prior Projects”) by entering into a First Excise Tax Purchase Agreement (Tax-Exempt), to be dated as of the first day of the month of the dated date of the hereinafter described Series 2015 Obligation (hereinafter referred to as the “Purchase Agreement”), in substantially the form presented at the meeting at which this Resolution was adopted, by which the City will agree to purchase a certain portion of the Prior Projects; and

WHEREAS, the acquisition of such portion of the Prior Projects will be financed through the sale and execution and delivery of all of the interests (hereinafter referred to as the “Series 2015 Obligation”) in the Purchase Agreement pursuant to, and secured by, a First Excise Tax Trust Agreement (Tax-Exempt), to be dated as of the date of the Purchase Agreement (hereinafter referred to as the “Trust Agreement”), from the City to a trustee appointed as provided herein (including any successor appointed and acting in such capacity, hereinafter referred to as the

“Trustee”), in substantially the form presented at the meeting at which this Resolution was adopted; and

WHEREAS, the Mayor and Council of the City will receive a proposal from Stifel, Nicolaus & Company, Incorporated, serving in the capacity of and designated as the placement agent (hereinafter referred to as the “Placement Agent”), and not acting as a municipal advisor as defined in the “Registration of Municipal Advisors” rule promulgated by the United States Securities and Exchange Commission, and has determined that the Series 2015 Obligation should be placed by the Placement Agent and pursuant to the Strategic Alliance of Volume Expenditures (SAVE) Cooperative Response Proposal #C-007-1213; and

WHEREAS, the Placement Agent will submit such proposal to place the Series 2015 Obligation pursuant to a standard form of placement agent agreement, to be dated the date of placement of the 2015 Obligation (hereinafter referred to as the “Placement Contract”), by and between the City and the Placement Agent; and

WHEREAS, pursuant to the Internal Revenue Code of 1986, as amended (hereinafter referred to as the “Code”), and the regulations promulgated thereunder (hereinafter referred to as the “Regulations”), issuers of obligations, the interest on which is intended to be excludable from the gross income of the owners thereof for federal income tax purposes (hereinafter referred to as “Tax-Exempt Obligations”), are required to establish policies and procedures to ensure compliance with the applicable provisions of the Code and the Regulations; and

WHEREAS, it is further also determined that procedures should be adopted in order to ensure that Tax-Exempt Obligations issued by the City comply with the provisions of the Code and the Regulations (hereinafter referred to as the “Procedures”); and

WHEREAS, there have been presented to the Mayor and Council of the City at the meeting at which this Resolution was considered (i) the proposed form of the Purchase Agreement; (ii) the proposed form of the Trust Agreement and (iii) the proposed form of the Procedures; and

WHEREAS, the City has the requisite power and authority to execute and deliver the Purchase Agreement and to cause the sale and execution and delivery of the Series 2015 Obligation, and all acts, conditions and things required by the Constitution and laws of the State of Arizona and the requirements of the City to happen, exist and be performed precedent to and as a condition to the adoption of this Resolution have happened, exist and been performed in the time and manner required to make the Purchase Agreement a valid and binding limited, special obligation of the City;

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF SAFFORD, ARIZONA, as follows:

Section 1. Authorization and Execution and Delivery of Documents and Obligation.

(a) For the purpose of providing funds to finance the costs of the acquisition of certain portions of the Prior Projects and the related costs of the sale and execution and delivery of the Series 2015 Obligation, the Series 2015 Obligation shall be sold and executed and delivered.

The Series 2015 Obligation shall be dated the date of its initial authentication and delivery and shall be issued in such form and denomination, shall be executed in such manner and shall have such other provisions as set forth in the form of the Trust Agreement, with such additions, deletions and modifications consistent with this Resolution as shall be approved by the officers of the Trustee executing and delivering the same on behalf of the Trustee, the execution and delivery thereof to constitute conclusive evidence of their approval and of such additions, deletions or modifications. The identity of the Trustee, the aggregate principal amount of the Series 2015 Obligation (but not to exceed \$7,500,000) and the dates the same shall be payable and prepayable, the period over which the Series 2015 Obligation shall become payable (but not later than July 1, 2030), which of the Hangar Leases are to be prepaid, the payment dates and payment amounts of the Hangar Leases and the First Loan Repayment Agreement to be prepaid, the date on and price at which the Series 2015 Obligation shall be sold (including provisions for any premium or discount) and the entity to which the Series 2015 Obligations shall be sold and the rates of interest the Series 2015 Obligation shall bear (but, except in the case of default or an event of taxability, not greater than 3.5 percent) and the dates the same shall be payable shall be determined by the Mayor, the City Manager or the Finance Director of the City or the designees of any of them (hereinafter referred to as, collectively, the "Authorized Representatives") to which such authority is hereby delegated. (The First Loan Repayment Agreement shall be prepaid on the earliest available date.)

(b) The Mayor or, in the absence thereof, the Vice Mayor are hereby authorized to execute, and the Clerk is hereby authorized to attest and deliver, respectively, the Purchase Agreement, the Trust Agreement and the Placement Contract as well as, if necessary, a standard form of escrow trust agreement, to be dated as of the first day of the month of the dated date of the Series 2015 Obligation (hereinafter referred to as the "Escrow Trust Agreement"), between the Trustee in its separate capacity as escrow trustee (hereinafter referred to as the "Escrow Trustee"), and the City, for the establishment, if necessary, of an escrow to pay principal of and interest on the Hangar Leases and the First Loan Repayment Agreement and to prepay amounts due pursuant to the Hangar Leases and the First Loan Repayment Agreement which are hereby approved, with such additions, deletions and modifications as shall be approved by those officers executing and delivering the same on behalf of the City, the execution and delivery thereof to constitute conclusive evidence of their approval, and of such additions, deletions and modifications.

(c) The Trustee is hereby requested to execute and deliver the Series 2015 Obligation, the Purchase Agreement and the Trust Agreement to accomplish the purposes hereof. The Escrow Trustee is hereby requested to execute and deliver the Escrow Trust Agreement to accomplish the purposes hereof.

(d) The Authorized Representatives are hereby authorized to cause the sale and execution and delivery of the Series 2015 Obligation pursuant to the Placement Contract and are hereby delegated the authority to complete any information missing in, or necessary for the consummation of the transactions contemplated by, the Purchase Agreement, the Trust Agreement, the Escrow Trust Agreement and the Placement Contract. The Finance Director is hereby authorized to receive and expend such funds as necessary to accomplish the purposes of this Resolution, including payment of installment payments related to debt service on the Series 2015 Obligation.

Section 2. Procedures in Connection with Tax-Exempt Obligations. The Procedures are hereby adopted to establish policies and procedures in connection with Tax-Exempt Obligations issued by the City to ensure that all applicable post-issuance requirements of the Code and the Regulations needed to preserve the status of such Tax-Exempt Obligations are met. The right to use discretion as necessary and appropriate to make exceptions or request additional provisions with respect to the Procedures as may be determined is hereby reserved. The right to change the Procedures from time to time, without notice, is also reserved.

Section 3. Severability. All actions of the officers, employees and agents of the City including the Council which conform to the purposes and intent of this Resolution and which further the issuance and sale of the Series 2015 Obligation as contemplated by this Resolution, whether taken before or after adoption of this Resolution, are hereby ratified, confirmed and approved. The proper officers and agents of the City are hereby authorized and directed to do all such acts and things and to execute and deliver all such documents on behalf of the City as may be necessary to carry out the terms and intent of this Resolution.

Section 4. Ratification of Actions. All actions of the officers, employees and agents of the City including the Council conform to the purposes and intent of this Resolution and which further the actions contemplated by this Resolution, whether taken before or after adoption of this Resolution, are hereby ratified, confirmed and approved. The proper officers and agents of the City are hereby authorized and directed to do all such acts and things and to execute and deliver all such documents on behalf of the City as may be necessary to carry out the terms and intent of this Resolution.

Section 5. Emergency. The immediate operation of this Resolution is necessary for the preservation of the public health and welfare, particularly to be able to finance the capital needs of the City on the most advantageous terms presently available, and an emergency is hereby declared to exist, and this Resolution shall be in full force and effect from and after its passage and approval by the Mayor and Council of the City, as required by law, and it is hereby exempt from the referendum provisions of the Constitution and laws of the State of Arizona.

PASSED, ADOPTED, AND APPROVED this 22nd day of December, 2014.

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Wyn "Chris" Gibbs
Mayor, City of Safford, Arizona

ATTEST:

APPROVED AS TO FORM:

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Georgia Luster, MMC, City Clerk
City of Safford, Arizona

William J. Sims, III, Interim City Attorney
City of Safford, Arizona

CERTIFICATION

I hereby certify that the foregoing Resolution Number 14-038 was duly passed and adopted by the Mayor and Council of the City of Safford, Arizona, at a regular meeting held on the 22nd day of December, 2014, and the vote was ayes and nays and that the Mayor and Councilmembers were present thereat.

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Georgia Luster, MMC, Clerk
City of Safford, Arizona



City of Safford

Street Renewal Project Cost Report

PHASE I	8th Avenue (US 70 to Relation Street)	Estimate	Bid	Actual
	Bid Advertised 9/7/2005	Construction Started 10/24/2005	\$319,334	\$538,363
	Bid Opened 9/29/2005	Construction Completed 1/12/2007	\$448,261	
8th Avenue (US 70 to Relation Street)				

PHASE II	Various Streets	Estimate	Bid	Actual
	Bid Advertised 2/15/2006	Construction Started 4/4/2006	\$932,136	\$1,011,870
	Bid Opened 3/2/2006	Construction Completed 5/17/2006	\$995,866	
8th Street (Central Avenue to 14th Avenue)				
10th Avenue (8th Street to Relation Street)				
East 12th Street (US Hwy 191 to End)				
2nd Avenue (15th Street to 12th Street)				
13th Street (Central Avenue to 2nd Avenue)				
11th Street (Central Avenue to 3rd Avenue)				
12th Ave (Relation - End)				

PHASE III	Downtown Streets	Estimate	Bid	Actual
	Bid Advertised 2/28/2007	Construction Started 4/9/2007	\$1,016,250	\$1,346,680
	Bid Opened 3/8/2007	Construction Completed 5/24/2007	\$1,057,804	
7th Street (8th Avenue to 3rd Avenue))				
7th Avenue (Union Canal to Main)				
6th Avenue (8th Street to HWY 70)				
5th Avenue (8th Street to HWY 70)				
Central (Main Street to HWY 70)				
Main Street (Central Avenue to 3rd Avenue)				
Central Avenue (8th Street to 9th Street)				

PHASE IV	Glenn Meadows Area	Estimate	Bid	Actual
	Bid Advertised 6/21/2006	Construction Started 10/2/2006	\$1,132,948	\$1,054,773
	Bid Opened 7/13/2006	Construction Completed 1/12/2007	\$950,816	
29th Street (14th Avenue to 12th Avenue))				
8th Avenue (Highline Canal to Relation)				
Apricot Loop (12th Ave. to Valley Gutter)				
12th Place (12th Avenue to Cul-de-Sac)				
12th Avenue (12th Place to Highline Canal))				
Hidden Glenn (29th Street to Cul-de-Sac)				
Pecan Circle (12th Avenue to Cul-de-Sac)				
Paradise Circle (12th Avenue to Cul-de-Sac)				
27th Street (14th Avenue to 12th Avenue)				
25th Street (17th Avenue to 14th Avenue)				

PHASE V	Ramada Estates	Estimate	Bid	Actual		
Bid Advertised	7/12/2006	Construction Started	11/6/2006	\$506,241	\$557,953	\$653,623
Bid Opened	8/3/2006	Construction Completed	12/20/2006			
Santa Fe Place (Santa Fe Street to Cul-de-Sac)						
Santa Fe Street (12th Avenue to Tucson Street)						
12th Avenue (Highland Canal to 20th Street)						
Tucson Street (14th Avenue to CDS)						
14th Avenue (Highline Canal to El Paso)						
Santa Fe Street (14th Avenue to Santa Fe Place)						
Yuma Circle (12th Avenue to El Paso)						

PHASE VI	Centre Park	Estimate	Bid	Actual		
Bid Advertised	1/31/2007	Construction Started	4/30/2007	\$765,962	\$663,069	\$880,938
Bid Opened	2/15/2007	Construction Completed	6/1/2007			
Central Avenue (16th Street to Relation)						
Bonita Street (Central to 2nd Avenue)						
Willow Avenue (Catalina to 20th Street)						
Elm Avenue (Catalina to Luna)						
Luna Street (Elm to Willow)						
Catalina Drive (Central Avenue to 2nd Avenue)						
Central Avenue (Catalina Drive to 16th Street)						
2nd Avenue (Bonita to Catalina)						
16th Street (Central Avenue to US 191)						
5th Avenue (Relation to 15th Street)						
Fargo Drive (8th Avenue to Cul-de-Sac)						
Big Horn (Fargo Drive to Cul-de-Sac)						
Stirrup Drive (Fargo Drive to Fargo Drive)						
Little Horn (Stirrup Drive to Cul-de-Sac)						

PHASE VII	Various Streets/N. of Relation - west of 8th A	Estimate	Bid	Actual		
Bid Advertised	1/31/2007	Construction Started	4/30/2007	\$542,422	\$418,507	\$437,001
Bid Opened	2/15/2007	Construction Completed	6/1/2007			
Bingham Place (Relation to 13th Street)						
17th Avenue (Relation to End)						
13th Avenue (10th Street to Canal)						
11th Avenue (Relation to Rose Lane)						
Rose Lane (10th Avenue to End)						
9th Avenue (Relation to 12th Street)						
13th Street (10th Avenue to 8th Avenue)						
8th Street (17th Avenue to 14th Avenue)						
9th Place (12th Street to 11th Street)						
Stratton Drive (North of 10th Street)						

PHASE VIII	North of Relation between 8th and 5th	Estimate	Bid	Actual
Bid Advertised	9/19/2007	Construction Started	11/5/2007	
Bid Opened	10/11/2007	Construction Completed	3/10/2008	
		\$753,272	\$525,620	\$643,950
7th Avenue (Relation to 11th Street)				
6th Avenue (Relation to 11th Street)				
12th Street (8th Avenue to 6th Avenue)				
11th Street (8th Avenue to Central)				
5th Avenue (Relation to 9th Street)				

PHASE IX	North of Relation (Central & US 191)/Center	Estimate	Bid	Actual
Bid Advertised	9/19/2007	Construction Started	11/5/2007	
Bid Opened	10/11/2007	Construction Completed	3/10/2008	
		\$1,015,078	\$671,160	\$690,714
Geronimo Street (Central Avenue to 2nd Avenue)				
Cochise Circle (North of Cochise Street)				
Central Avenue (Relation to 9th Street)				
3rd Avenue (13th Street to 8th Street)				
12th Street (6th Avenue to HWY 191)				
6th Avenue (8th Street to Union Canal)				
Cochise Street (Central to 2nd)				
2nd Avenue (Cochise to Geronimo)				
Central Avenue (20th Street to Catalina)				

PHASE X	North of US 70/East of 8th Avenue	Estimate	Bid	Actual
Bid Advertised	2/27/2008	Construction Started	5/5/2008	
Bid Opened	3/20/2008	Construction Completed	7/3/2008	
		\$979,052	\$632,786	\$716,406
7th Avenue (US 70 to 1st Street)				
6th Avenue (3rd Street to 1st Street)				
5th Avenue (4th Street to 2nd Street)				
2nd Avenue (US 70 to 3rd Street)				
3rd Street (2nd Avenue to 1st Avenue)				
4th Street (8th Avenue to 1st Avenue)				
3rd Street (8th Avenue to Central)				
2nd Street (8th Avenue to 5th Avenue)				
1st Street (7th Avenue to 6th Avenue)				
East 4th Street (Kay Lane to Entertainment Ave.)				
East 4th Street (1st Avenue to Gila Avenue)				
3rd Avenue (US 70 to 4th Street)				
East 2nd Street (1st Avenue to Gila Avenue)				
East 3rd Street (1st Avenue to Gila Avenue)				

PHASE XI	East of Downtown/West of 8th Avenue	Estimate	Bid	Actual
Bid Advertised	2/27/2008	Construction Started	5/5/2008	
Bid Opened	3/20/2008	Construction Completed	7/3/2008	
		\$511,441	\$343,510	\$399,412
West Drive (11th Avenue to End of Pavement)				
9th Avenue (8th Street to 7th Street)				
3rd Avenue (7th Street to HWY 70)				
2nd Avenue (8th Street to HWY 70)				
7th Street (3rd Avenue to US 191)				
Main Street (3rd to US 191)				
7th Street (9th Avenue to 8th Avenue)				

PHASE XII	Remaining Residential Streets	Estimate	Bid	Actual
Bid Advertised	9/2/2009	Construction Started	11/9/2009	
Bid Opened	9/18/2009	Construction Completed	1/5/2010	
		\$1,446,920	\$1,063,930	\$1,481,473
Heather Lane (29th Street to Cul-de-Sac)				
Hidden Glenn (29th Street to 27th Street)				
Peach Tree (Hidden Glenn to Cul-de-Sac)				
Cinnebar Circle (Hidden Glenn to 27th Street)				
Island Circle (20th Avenue to Cul-de-Sac)				
El Paso Boulevard (14th Avenue to 8th Avenue)				
El Paso Place (El Paso Blvd. to Cul-de-Sac)				
12th Avenue (20th Street to 18th Street)				
18th Street (14th Avenue to 12th Avenue)				
Mesa Circle (11th Avenue to 20th Street)				
11th Place (11th Avenue to Cul-de-Sac)				
16th Street (8th Avenue to Cul-de-Sac)				
16th Street (10th Avenue to 8th Avenue)				
Kings Court (8th Avenue to Cul-de-Sac)				
9th Avenue (Kimball to 16th Street)				
Cherokee Lane (Kimball to 10th Avenue)				
Kimball Street (10th Avenue to 9th Avenue)				
10th Avenue (Relation to 16th Street)				
Relation Street (20th Avenue to 14th Avenue)				
14th Drive (19th Avenue to 16th Avenue)				
Chelsea Lane (Relation to Cul-de-Sac)				
Relation Street (14th Avenue to 20th Avenue)				
19th Place Cul-de-Sac (N. of 19th Street)				
11th Avenue (20th Street to Mesa Circle)				
19th Street (14th Avenue to 12th Avenue)				
29th Place (12th Avenue to Cul-de-Sac)				
20th Avenue (US 70 to 1st Street)				
8th Avenue (Intersection with 8th Street)				
Discovery Park Blvd. (Cemetery to US 191)				
20th Street (14th Avenue to Mesa Circle)				

PHASE XIII "ON HOLD"		Estimate	Bid	Actual
Bid Advertised	N/A			
	Construction Started	N/A		
Bid Opened	N/A	\$0	\$0	\$0
	Construction Completed	N/A		
Discovery Park Blvd. (20th Avenue to Cemetery)				
14th Avenue (Discovery Park to 26th Street)				
26th Street (20th Avenue to 12th Avenue)				
20th Avenue (Golf Course Road to Disc. Pk. Blvd.)				
Hollywood Drive (US 70 to City Limits)				

PHASE XIV "ON HOLD"		Estimate	Bid	Actual
Bid Advertised	N/A			
	Construction Started	N/A		
Bid Opened	N/A	\$0	\$0	\$0
	Construction Completed	N/A		
20th Street (Mesa Circle to 10th Avenue)				

PHASE XV "ON HOLD"		Estimate	Bid	Actual
Bid Advertised	N/A			
	Construction Started	N/A		
Bid Opened	N/A	\$0	\$0	\$0
	Construction Completed	N/A		

PHASE XVI "ON HOLD"		Estimate	Bid	Actual
Bid Advertised	N/A			
	Construction Started	N/A		
Bid Opened	N/A	\$0	\$0	\$0
	Construction Completed	N/A		
Relation Street (14th Avenue to 8th Avenue)				
Relation Street (8th Avenue to US 191)				
8th Street (HWY 191 to HWY 70) (PCC)				

PHASE XVII "ON HOLD"		Estimate	Bid	Actual
Bid Advertised	N/A			
	Construction Started	N/A		
Bid Opened	N/A	\$0	\$0	\$0
	Construction Completed	N/A		
14th Avenue (8th Street to US 70)				
20th Avenue (Relation Street to Golf Course Road)				
Main Street (8th Avenue to Central)				
14th Avenue (Relation to Crimson Canyon)				
1st Street (20th Avenue to End)				
Central Avenue (8th Street to Main Street)				

Totals	\$9,921,054	\$8,329,282	\$9,855,203
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WRITTEN POLICIES AND PROCEDURES FOR TAX-ADVANTAGED OBLIGATIONS

The City of Safford, Arizona (the “Issuer”), has issued and may in the future issue tax-exempt obligations (including, without limitation, bonds, notes, loans, leases and certificates) (together, “tax-advantaged obligations”) that are subject to certain requirements under the Internal Revenue Code of 1986, as amended (the “Code”).

The Issuer has established the policies and procedures contained herein (the “Procedures”) as of April 22, 2014, in order to ensure that the Issuer complies with the requirements of the Code that are applicable to its tax-advantaged obligations. The Procedures, coupled with requirements contained in the arbitrage and tax certificate or other operative documents (the “Tax Certificate”) executed at the time of issuance of the tax-advantaged obligations, are intended to constitute written procedures for ongoing compliance with the federal tax requirements applicable to the tax-advantaged obligations and for timely identification and remediation of violations of such requirements.

A. GENERAL MATTERS.

1. Responsible Officer. The Finance Director of the Issuer will have overall responsibility for ensuring that the ongoing requirements described in the Procedures are met with respect to tax-advantaged obligations (the “Responsible Officer”).
2. Establishment of Procedures. The Procedures will be included with other written procedures of the Issuer.
3. Identify Additional Responsible Employees. The Responsible Officer shall identify any additional persons who will be responsible for each section of the Procedures, notify the current holder of that office of the responsibilities, and provide that person a copy of the Procedures. (For each section of the Procedures, this may be the Responsible Officer or another person who is assigned the particular responsibility.)
 - a. Upon employee or officer transitions, new personnel should be advised of responsibilities under the Procedures and ensure they understand the importance of the Procedures.

- b. If employee or officer positions are restructured or eliminated, responsibilities should be reassigned as necessary to ensure that all Procedures have been appropriately assigned.
4. Training Required. The Responsible Officer and other responsible persons shall receive appropriate training that includes the review of and familiarity with the contents of the Procedures, review of the requirements contained in the Code applicable to each tax-advantaged obligation, identification of all tax-advantaged obligations that must be monitored, identification of all facilities (or portions thereof) financed with proceeds of tax-advantaged obligations, familiarity with the requirements contained in the Tax Certificate or other operative documents contained in the transcript, and familiarity with the procedures that must be taken in order to correct noncompliance with the requirements of the Code in a timely manner.
5. Periodic Review. The Responsible Officer or other responsible person shall periodically review compliance with the Procedures and with the terms of the Tax Certificate to determine whether any violations have occurred so that such violations can be timely remedied through the “remedial action” regulations or the Voluntary Closing Agreement Program available through the Internal Revenue Service (“IRS”) (or successor guidance). Such periodic review shall occur at least annually.
6. Change in Terms. If any changes to the terms of the tax-advantaged obligations are contemplated, bond counsel should be consulted. Such modifications could jeopardize the status of tax-advantaged obligations.

B. IRS INFORMATION RETURN FILING. The Responsible Officer will confirm that bond counsel has filed the applicable information reports (such as Form 8038-G) for such issue with the IRS on a timely basis, and maintain copies of such form including evidence of timely filing as part of the transcript of the issue. The Responsible Officer shall file the IRS Form 8038-T relating to the payment of rebate or yield reduction payments in a timely manner as discussed in Section G.12. below. The Responsible Officer shall also monitor the extent to which the Issuer is eligible to receive a refund of prior rebate payments and provide for the timely filing for such refunds using an IRS Form 8038-R.

C. USE OF PROCEEDS. The Responsible Officer or other responsible person shall:

1. Consistent Accounting Procedures. Maintain or confirm maintenance of clear and consistent accounting procedures for tracking the investment and expenditures of proceeds, including investment earnings on proceeds.
2. Reimbursement Allocations at Closing. At or shortly after closing of an issue, ensure that any allocations for reimbursement expenditures comply with the Tax Certificate.

3. Timely Expenditure of Proceeds. Monitor that sale proceeds and investment earnings on sale proceeds of tax-advantaged obligations are spent in a timely fashion consistent with the requirements of the Tax Certificate.
4. Requisitions. Utilize or confirm the utilization of requisitions to draw down proceeds, and ensure that each requisition contains (or has attached to it) detailed information in order to establish when and how proceeds were spent; review requisitions carefully before submission to ensure proper use of proceeds to minimize the need for reallocations.
5. Final Allocation. Ensure that a final allocation of proceeds (including investment earnings) to qualifying expenditures is made if proceeds are to be allocated to project expenditures on a basis other than “direct tracing” (direct tracing means treating the proceeds as spent as shown in the accounting records for draws and project expenditures). An allocation other than on the basis of “direct tracing” is often made to reduce the private business use of bond proceeds that would otherwise result from “direct tracing” of proceeds to project expenditures. *This allocation must be made within 18 months after the later of the date the expenditure was made or the date the project was placed in service, but not later than five years and 60 days after the date the tax-advantaged obligations are issued (or 60 days after the issue is retired, if earlier).* Bond counsel can assist with the final allocation of proceeds to project costs. Maintain a copy of the final allocation in the records for the tax-advantaged obligation.
6. Maintenance and Retention of Records Relating to Proceeds. Maintain or confirm the maintenance of careful records of all project and other costs (e.g., costs of issuance, credit enhancement and capitalized interest) and uses (e.g., deposits to a reserve fund) for which proceeds were spent or used. These records should be maintained separately for each issue of tax-advantaged obligations for the period indicated under Section H. below.

D. MONITORING PRIVATE BUSINESS USE. The Responsible Officer or other responsible person shall:

1. Identify Financed Facilities. Identify or “map” which outstanding issues financed which facilities and in what amounts.
2. Review of Contracts with Private Persons. Review all of the following contracts or arrangements with non-governmental persons or organizations or the federal government (collectively referred to as “private persons”) with respect to the financed facilities which could result in private business use of the facilities:
 - a. Sales of financed facilities;
 - b. Leases of financed facilities;
 - c. Management or service contracts relating to financed facilities;

- d. Research contracts under which a private person sponsors research in financed facilities; and
 - e. Any other contracts involving “special legal entitlements” (such as naming rights or exclusive provider arrangements) granted to a private person with respect to financed facilities.
3. Bond Counsel Review of New Contracts or Amendments. Before amending an existing agreement with a private person or entering into any new lease, management, service, or research agreement with a private person, consult bond counsel to review such amendment or agreement to determine whether it results in private business use.
 4. Establish Procedures to Ensure Proper Use and Ownership. Establish procedures to ensure that financed facilities are not used for private use without written approval of the Responsible Officer or other responsible person.
 5. Analyze Use. Analyze any private business use of financed facilities and, for each issue of tax-advantaged obligations, determine whether the 10 percent limit on private business use (5 percent in the case of “unrelated or disproportionate” private business use) is exceeded, and contact bond counsel or other tax advisors if either of these limits appears to be exceeded.
 6. Remediation if Limits Exceeded. If it appears that private business use limits are exceeded, immediately consult with bond counsel to determine if a remedial action is required with respect to nonqualified tax-advantaged obligations of the issue or if the IRS should be contacted under its Voluntary Closing Agreement Program. If tax-advantaged obligations are required to be redeemed or defeased in order to comply with remedial action rules, such redemption or defeasance must occur within 90 days of the date a deliberate action is taken that results in a violation of the private business use limits.
 7. Maintenance and Retention of Records Relating to Private Use. Retain copies of all of the above contracts or arrangements (or, if no written contract exists, detailed records of the contracts or arrangements) with private persons for the period indicated under Section H. below.
- E. LOAN OF BOND PROCEEDS.** Consult bond counsel if a loan of proceeds of tax-advantaged obligations is contemplated. If proceeds of tax-advantaged obligations are permitted under the Code to be loaned to other entities and are in fact so loaned, require that the entities receiving a loan of proceeds institute policies and procedures similar to the Procedures to ensure that the proceeds of the loan and the facilities financed with proceeds of the loan comply with the limitations provided in the Code. Require the recipients of such loans to annually report to the Issuer ongoing compliance with the Procedures and the requirements of the Code.

F. ARBITRAGE AND REBATE COMPLIANCE. The Responsible Officer or other responsible person shall:

1. Review Tax Certificate. Review each Tax Certificate to understand the specific requirements that are applicable to each tax-advantaged obligation issue.
2. Arbitrage Yield. Record the arbitrage yield of the issue, as shown on IRS Form 8038-G or other applicable form. If the tax-advantaged obligations are variable rate, yield must be determined on an ongoing basis over the life of the tax-advantaged obligations as described in the Tax Certificate.
3. Temporary Periods. Review the Tax Certificate to determine the “temporary periods” for each issue, which are the periods during which proceeds of tax-advantaged obligations may be invested without yield restriction.
4. Post-Temporary Period Investments. Ensure that any investment of proceeds after applicable temporary periods is at a yield that does not exceed the applicable yield, unless yield reduction payments can be made pursuant to the Tax Certificate.
5. Monitor Temporary Period Compliance. Monitor that proceeds (including investment earnings) are expended promptly after the tax-advantaged obligations are issued in accordance with the expectations for satisfaction of three-year or five-year temporary periods for investment of proceeds and to avoid “hedge bond” status.
6. Monitor Yield Restriction Limitations. Identify situations in which compliance with applicable yield restrictions depends upon later investments (e.g., the purchase of 0 percent State and Local Government Securities from the U.S. Treasury for an advance refunding escrow). Monitor and verify that these purchases are made as contemplated.
7. Establish Fair Market Value of Investments. Ensure that investments acquired with proceeds satisfy IRS regulatory safe harbors for establishing fair market value (e.g., through the use of bidding procedures), and maintaining records to demonstrate satisfaction of such safe harbors. Consult the Tax Certificate for a description of applicable rules.
8. Credit Enhancement, Hedging and Sinking Funds. Consult with bond counsel before engaging in credit enhancement or hedging transactions relating to an issue, and before creating separate funds that are reasonably expected to be used to pay debt service. Maintain copies of all contracts and certificates relating to credit enhancement and hedging transactions that are entered into relating to an issue.
9. Grants/Donations to Governmental Entities. Before beginning a capital campaign or grant application that may result in gifts that are restricted to financed projects (or, in the absence of such a campaign, upon the receipt of such restricted gifts),

consult bond counsel to determine whether replacement proceeds may result that are required to be yield restricted.

10. Bona Fide Debt Service Fund. Even after all proceeds of a given issue have been spent, ensure that debt service funds, if any, meet the requirements of a “bona fide debt service fund,” i.e., one used primarily to achieve a proper matching of revenues with debt service that is depleted at least once each bond year, except for a reasonable carryover amount not to exceed the greater of: (i) the earnings on the fund for the immediately preceding bond year; or (ii) one-twelfth of the debt service on the issue for the immediately preceding bond year. To the extent that a debt service fund qualifies as a bona fide debt service fund for a given bond year, the investment of amounts held in that fund is not subject to yield restriction for that year.
11. Debt Service Reserve Funds. Ensure that amounts invested in reasonably required debt service reserve funds, if any, do not exceed the least of: (i) 10 percent of the stated principal amount of the tax-advantaged obligations (or the sale proceeds of the issue if the issue has original issue discount or original issue premium that exceeds 2 percent of the stated principal amount of the issue plus, in the case of premium, reasonable underwriter’s compensation); (ii) maximum annual debt service on the issue; or (iii) 125% of average annual debt service on the issue.
12. Rebate and Yield Reduction Payment Compliance. Review the arbitrage rebate covenants contained in the Tax Certificate. Subject to certain rebate exceptions described below, investment earnings on proceeds at a yield in excess of the yield (i.e., positive arbitrage) generally must be rebated to the U.S. Treasury, even if a temporary period exception from yield restriction allowed the earning of positive arbitrage.
 - a. Ensure that rebate and yield reduction payment calculations will be timely performed and payment of such amounts, if any, will be timely made. Such payments are generally due 60 days after the fifth anniversary of the date of issue, then in succeeding installments every five years. The final rebate payment for an issue is due 60 days after retirement of the last obligation of the issue. The Issuer should hire a rebate consultant if necessary.
 - b. Review the rebate section of the Tax Certificate to determine whether the “small issuer” rebate exception applies to the issue.
 - c. If the 6-month, 18-month, or 24-month spending exceptions from the rebate requirement (as described in the Tax Certificate) may apply to the tax-advantaged obligations, ensure that the spending of proceeds is monitored prior to semiannual spending dates for the applicable exception.
 - d. Make rebate and yield reduction payments and file Form 8038-T in a timely manner.

- e. Even after all other proceeds of a given issue have been spent, ensure compliance with rebate requirements for any debt service reserve fund and any debt service fund that is not exempt from the rebate requirement (see the Arbitrage Rebate covenants contained in the Tax Certificate).

- 13. Maintenance and Retention of Arbitrage and Rebate Records. Maintain records of investments and expenditures of proceeds, rebate exception analyses, rebate calculations, Forms 8038-T, and rebate and yield reduction payments, and any other records relevant to compliance with the arbitrage restrictions for the period indicated in Section H. below.

G. RECORD RETENTION. The Responsible Officer or other responsible person shall ensure that for each issue of obligations, the transcript and all records and documents described in these Procedures will be maintained while any of the obligations are outstanding and during the three-year period following the final maturity or redemption of that issue, or if the obligations are refunded (or re-refunded), while any of the refunding obligations are outstanding and during the three-year period following the final maturity or redemption of the refunding obligations.

FIRST EXCISE TAX PURCHASE AGREEMENT (TAX-EXEMPT)

by and between

_____ ,
as Seller

and

THE CITY OF SAFFORD, ARIZONA,
as Purchaser

Dated as of _____ 1, 2015

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FIRST EXCISE TAX PURCHASE AGREEMENT (TAX-EXEMPT)

THIS FIRST EXCISE TAX PURCHASE AGREEMENT (TAX-EXEMPT), dated as of _____ 1, 2015 (this “Agreement”), by and between the CITY OF SAFFORD, ARIZONA, a municipal corporation under the laws of the State of Arizona (the “City”), as purchaser hereunder, and _____, a national banking association, as trustee under the First Excise Tax Trust Agreement, dated as of even date herewith (the “Trust Agreement”), but in its separate capacity as seller (the “Seller”) hereunder,

WITNESSETH:

WHEREAS, the City heretofore determined that it would be beneficial to its citizens to finance the costs of the Airport Prior Projects (as such term and all other terms not otherwise defined herein are defined in the Trust Agreement); and

WHEREAS, the City also heretofore determined that it would be beneficial to its citizens to finance the costs of the GADA Prior Project; and

WHEREAS, in order to finance the costs of the GADA Prior Project, the City deemed it necessary and desirable to borrow \$9,420,000 from GADA; and

WHEREAS, in connection therewith, the City and GADA entered into the First Loan Repayment Agreement; and

WHEREAS, the City also heretofore determined that it would be beneficial to its citizens to finance the costs of building a new electrical substation; and

WHEREAS, in order to finance the costs thereof, the City deemed it necessary and desirable to borrow \$3,095,000 from GADA; and

WHEREAS, in connection therewith, the City and GADA entered into the Second Loan Repayment Agreement; and

WHEREAS, Section 10(a) of the First Loan Repayment Agreement and the Second Loan Repayment Agreement provide that GADA may, in the case of nonpayment, among other things, certify to the Treasurer of the State and notify the Mayor and Council of the City that the City has failed to make a required payment and request enforcement of the State Intercept of Funds, and Additional Agency/Authority Loan Agreements may provide that GADA or WIFA provide for enforcement of the State Intercept of Funds; and

WHEREAS, pursuant to Section 3 of the First Loan Repayment Agreement and the Second Loan Repayment Agreement and subject to the State Intercept of Funds, the City irrevocably pledged for the payment of the amounts due thereunder the revenues from the Excise Taxes and the State Shared Revenues, such pledge being a first lien pledge upon such amounts of the revenues from the Excise Taxes and the State Shared Revenues as will be sufficient to make the payments pursuant thereto when due; and

WHEREAS, pursuant to Section 6 of the First Loan Repayment Agreement and the Second Loan Repayment Agreement, the City shall not further encumber the revenues from the Excise Taxes and the State Shared Revenues on a basis equal to the pledge under the First Loan Repayment Agreement and the Second Loan Repayment Agreement unless the revenues from the Excise Taxes plus the State Shared Revenues, when combined mathematically for such purpose only, in the most recently completed fiscal year of the City, shall have amounted to at least two (2) times the highest combined interest and principal requirements for any succeeding fiscal year of the City for the First Loan Repayment Agreement, the Second Loan Repayment Agreement and the other of the Parity Lien Obligations secured or so proposed to be secured by such pledge of the revenues from the Excise Taxes and the State Shared Revenues on a parity of lien therewith; and

WHEREAS, pursuant to Resolution No. _____ adopted on December 22, 2014, the Mayor and Council of the City determined to prepay amounts due pursuant to the Hangar Leases and a portion of the amounts due pursuant to the First Loan Repayment Agreement; and

WHEREAS, for the purposes thereof, the Mayor and Council of the City requested that the Trustee sell and execute and deliver the Obligation; and

WHEREAS, for the purpose of prepaying amounts due pursuant to other leases, the Mayor and Council of the City also requested that the Trustee enter into the 2015 Taxable Agreement at the same time as this Agreement; and

WHEREAS, this Agreement and the 2015 Taxable Agreement are Parity Lien Obligations; and

WHEREAS, the City is a municipal corporation duly incorporated and validly existing under the laws of the State; the Constitution and the laws of the State authorize the City to enter into this Agreement and the transactions contemplated by this Agreement; the City has duly authorized and executed this Agreement; this Agreement is a lawful, valid and binding obligation of the City, enforceable against the City in accordance with its terms; all required procedures for execution and performance of this Agreement, including publication of notice, public hearing or competitive bidding, if applicable, have been or will be complied with in a timely manner; there are no legal or governmental proceedings or litigation pending or overtly threatened or contemplated (or any basis therefor) wherein an unfavorable decision, ruling or finding might adversely affect the transactions contemplated in or the validity of this Agreement or the Trust Agreement; the Payments will be paid when due out of funds which are legally available for such purposes; neither the execution and delivery of this Agreement or the Trust Agreement, nor the fulfillment of or compliance with the terms and conditions hereof or thereof nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the City is now a party or by which the City is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the City; the City has disclosed in writing to the Seller all facts that do or will materially adversely affect the properties, operations or financial condition of the City and that any financial statements, notices or other written statements provided by the City to the Seller pursuant hereto will not contain any untrue statement of a material fact or omit any material fact necessary to make such statements or information not misleading and the Prior Projects comply

with all applicable environmental laws, rules and regulations (including, without limitation, all federal, state and local laws) and with Title III of the Americans with Disabilities Act and the regulations issued thereunder by the United States Department of Justice concerning accessibility of places of public accommodation and commercial facilities if and to the extent such Act and regulations apply to the Prior Projects; and

WHEREAS, the Seller has full legal authority and is duly empowered to enter into this Agreement and has taken all actions necessary to the execution and delivery hereof;

NOW THEREFORE, pursuant to law and for and in consideration of the mutual covenants hereinafter contained, it is hereby agreed as follows:

Section 1. Term and Payments.

(a) In order to finance the costs of the Prior Projects which have not been paid to date pursuant to the terms hereof, the City sells and conveys any interests it has in the Prior Projects to the Seller, without warranty, for the sum of \$10.00 and other valuable consideration had and received. For the amounts payable pursuant hereto (including the Payments), the Seller in turn hereby sells and conveys back to the City, without recourse, representation or warranty, and the City hereby purchases from the Seller, any interests the Seller has in the Prior Projects.

(b) As the purchase price, the City shall pay the Payments to the Seller. (The Interest Portion is interest for purposes of the Code.)

The City shall also pay to the Seller its fees and expenses in accordance with the provisions of the Trust Agreement.

(c) This Agreement shall be deemed and construed to be a “*net purchase agreement*,” and the Payments shall be an absolute net return to the Seller, free and clear of any expenses or charges whatsoever, except as otherwise specifically provided herein. The obligation of the City to pay the amounts described in paragraph (b) hereof (including the Payments) from the sources described herein and to comply with the other provisions hereof shall be absolute and unconditional and shall not be subject to any defense or any right of set-off, abatement, counterclaim, or recoupment arising out of any breach by the Seller of any obligation to the City or otherwise, or out of indebtedness or liability at any time owing to the City by the Seller. Until such time as all of the payments described in paragraph (b) hereof (including the Payments) shall have been fully paid or provided for, the City (i) shall not suspend or discontinue the same, (ii) shall comply with the other provisions hereof and (iii) shall not terminate this Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Prior Projects, the taking by *eminent domain* of title to or temporary use of any or all of the Prior Projects, commercial frustration of purpose, abandonment of the Prior Projects by the City, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of the Seller to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Trust Agreement or this Agreement. Nothing

contained in this Section shall be construed to release the Seller from the performance of any of the agreements on its part herein or in the Trust Agreement contained and in the event the Seller shall fail to perform any such agreements on its part, the City may institute such action against the Seller as the City may deem necessary to compel performance so long as such action does not abrogate the obligations of the City contained in the first sentence of this paragraph.

(d) Any of the payments described in paragraph (b) hereof (including the Payments) due on a day which is not a Business Day may be made on the next Business Day and will be deemed to have been made on the date due.

(e) Amounts payable to the Seller shall be paid by means instructed to the City in writing.

Section 2. Pledge; Limited Obligations.

(a) Subject to the State Intercept of Funds with regard to the First Loan Repayment Agreement, the Second Loan Repayment Agreement and the other of the Parity Lien Obligations which are also Additional Agency/Authority Loan Agreements, the revenues from the Excise Taxes and the State Shared Revenues have been pledged by the City to the payment of all amounts described in Subsection 1(b) hereof (including the Payments), and payment of such amounts shall be secured by a paramount and first lien on and pledge of the revenues from the Excise Taxes and the State Shared Revenues on parity with the pledge and lien hereby granted by the City for the payment and security of the First Loan Repayment Agreement, the Second Loan Repayment Agreement, the 2015 Taxable Agreement and the other of the Parity Lien Obligations. All of the Payments are coequal as to the pledge of and lien on the revenues from the Excise Taxes and the State Shared Revenues and share ratably, without preference, priority or distinction, as to the source or method of payment from the revenues from the Excise Taxes and the State Shared Revenues or security therefor.

(b) The City shall remit to the Seller from the revenues from the Excise Taxes and the State Shared Revenues all amounts due under this Agreement in the amounts and at the times and for the purposes as required herein. The obligation of the City to make payments of any amounts due under this Agreement, including amounts due after default hereof, is limited to payment from the revenues from the Excise Taxes and the State Shared Revenues and shall under no circumstances constitute a general obligation or a pledge of the full faith and credit of the City, the State or any of its political subdivisions, or require the levy of, or be payable from the proceeds of, any *ad valorem* property taxes.

(c) The City may, at the sole option of the Mayor and Council of the City, make payments due pursuant to Section 1 hereof from its other funds as permitted by law and as the City shall determine from time to time, but the Seller acknowledges that it has no claim hereunder to such other funds. No part of the purchase price payable pursuant to this Agreement shall be payable out of any *ad valorem* property taxes imposed by the City or from bonds or other obligations, the payment of which the City's general taxing authority is pledged, unless (i) the same shall have been duly budgeted by the City according to law, (ii) such payment or payments shall be within the budget limitations of the statutes of the State and (iii) any such bonded indebtedness or other obligation are within the debt limitations of the Constitution of the State.

Section 3. Surplus and Deficiency of the Revenues from the Excise Taxes and the State Shared Revenues. Subject to the rights with respect to the revenues from the Excise Taxes and the State Shared Revenues with respect to the First Loan Repayment Agreement, the Second Loan Repayment Agreement, the 2015 Taxable Agreement and the other of the Parity Lien Obligations, the revenues from the Excise Taxes and the State Shared Revenues in excess of amounts, if any, required to be deposited with or held by the Seller for payments due under this Agreement shall constitute surplus revenues and may be used by the City for any lawful purpose for the benefit of the City, including the payment of obligations to which the revenues from the Excise Taxes and the State Shared Revenues may from time to time be pledged on a basis subordinate hereto. If at any time the moneys in the funds held for payment of amounts due under this Agreement are not sufficient to make the deposits and transfers required, any such deficiency shall be made up from the first moneys thereafter received and available for such transfers under the terms of this Agreement and, with respect to payment from the revenues from the Excise Taxes and the State Shared Revenues, *pro rata*, with amounts due with respect to the First Loan Repayment Agreement, the Second Loan Repayment Agreement, the 2015 Taxable Agreement and the other of the Parity Lien Obligations, and the transfer of any such sum or sums to said fund as may be necessary to make up any such deficiency shall be in addition to the then-current transfers required to be made pursuant hereto.

Section 4. Parity Lien Obligations. The City shall not encumber the revenues from the Excise Taxes on a basis prior or paramount to the lien and pledge provided for under Section 2(a) hereof. So long as any amounts due hereunder remain unpaid or unprovided for, the City shall not further encumber the revenues from the Excise Taxes and the State Shared Revenues on a basis equal to the pledge hereunder unless the revenues from the Excise Taxes plus the State Shared Revenues, when combined mathematically for such purpose only, in the most recently completed fiscal year of the City, shall have amounted to at least two (2) times the highest combined interest and principal requirements for any succeeding fiscal year of the City for the First Loan Repayment Agreement, the Second Loan Repayment Agreement, the 2015 Taxable Agreement, this Agreement and the other of the Parity Lien Obligations secured or so proposed to be secured by such pledge of the revenues from the Excise Taxes and the State Shared Revenues on a parity of lien therewith. For purposes of this Section, any variable rate indebtedness shall be assumed to bear interest at the maximum permissible rate.

Section 5. Town Control over Revenue Collection. To the extent permitted by applicable law, the revenues from the Excise Taxes shall be retained and maintained so that the amounts received from the revenues from the Excise Taxes and the State Shared Revenues, when combined mathematically for such purpose only, all within and for the most recently completed fiscal year of the City, shall have been equal to at least two (2) times the total of interest and principal requirements for the current fiscal year of the City for the First Loan Repayment Agreement, the Second Loan Repayment Agreement, the 2015 Taxable Agreement, this Agreement and the other of the Parity Lien Obligations. If the revenues from the Excise Taxes and the State Shared Revenues for any such fiscal year shall not have been equal to at least one and one-quarter (1-1/4) times the total of the interest and principal requirements for the current fiscal year of the City for the First Loan Repayment Agreement, the Second Loan Repayment Agreement, the 2015 Taxable Agreement, this Agreement and the other of the Parity Lien Obligations or if at any time it appears that the revenues from the Excise Taxes and the State

Shared Revenues will not be sufficient to meet such requirements, the City shall, to the extent permitted by applicable law, impose new exactions of the type of the Excise Taxes which will be part of the Excise Taxes or increase the rates for the Excise Taxes currently imposed fully sufficient at all times, after making allowance for contingencies and errors, in each fiscal year of the City in order that (a) the revenues from the Excise Taxes and the State Shared Revenues will be sufficient to meet all current requirements hereunder and (b) the revenues from the Excise Taxes and the State Shared Revenues will be reasonably calculated to attain the level as required by the first sentence of this subsection.

Section 6. Certain Matters with Respect to the Prior Projects.

(a) Except with respect to its power and authority to enter into this Agreement and to perform its covenants hereunder, the Seller has made and makes no representation or warranty, express or implied, and assumes no obligation with respect to the title, merchantability, condition, quality or fitness of the Prior Projects for any particular purpose or the conformity of the Prior Projects to any plans, specifications, construction contract, purchase order, model or sample, or as to their design, construction, delivery, installation, construction oversight and operation or their suitability for use by the City after completion. All such risks shall be borne by the City without in any way excusing the City from its obligations under this Agreement, and the Seller shall not be liable to the City for any damages on account of such risks. Except with respect to any acts by the Seller which are not undertaken at the request of the City or with the prior approval of the City, the City waives all claims against the Seller growing out of the acquisition of the Prior Projects. The Seller shall have no liability to the City for any failure of any contractor to perform any contract or other undertaking with respect to the Prior Projects in any respect. The Seller shall have no obligation to obtain or insure compliance with any required permits or approval procedures with respect to the Prior Projects. In the event of any defect in any item of the Prior Projects or other claim with respect to the Prior Projects, recourse of the City shall be against the contractors, manufacturers, suppliers, etc. of the Prior Projects and, where applicable, the person selling the property to the Seller, and not against the Seller. For such purpose, the Seller hereby assigns and transfers to the City the right, title and interest of the Seller in and to all representations, warranties, guarantees and service agreements relating to the Prior Projects made or entered into by the Seller and by any contractor, manufacturers, suppliers, etc. of the Prior Projects. The Seller further designates the City as its attorney-in-fact granting to the City the right to initiate and take all actions necessary to enforce any and all construction contracts and all such warranties and service agreements. The Seller is entering into this Agreement solely as the Seller, shall not be personally liable hereunder and shall be afforded the same rights, protections, immunities and indemnities acting hereunder as afforded to it as the Trustee under the Trust Agreement. Notwithstanding anything to the contrary herein, at no time shall the Seller be listed in the chain of title to the Prior Projects. Provisions governing the rights, immunities and protections of the Trustee under the Trust Agreement are herein incorporated by reference into this agreement as though fully set forth herein.

(b) The City, by keeping and performing the covenants and agreements herein contained, shall at all times during the term of this Agreement, peaceably and quietly, have, hold and enjoy the Prior Projects, without suit, trouble or hindrance from the Seller. The City hereby grants and conveys to the Seller, and all persons claiming by, through or under the Seller,

including its successors and assigns under the Trust Agreement and the Owners for whom it acts, a nonexclusive easement upon, in and to the Prior Projects for the purpose of permitting the Prior Projects to be maintained upon the premises.

(c) Notwithstanding any other terms or provisions of this Agreement, the interest of the Seller in the Prior Projects is solely in its capacity as the Seller for the refinancing of the Prior Projects, and the Seller shall not have the power, authority or obligation to assume any responsibility for the overall management or maintenance of the Prior Projects, including, without limitation, any day-to-day decision-making or operational aspects of the Prior Projects.

Section 7. Providing for Payment. The City may provide for the payment of the Payments in any one or more of the following ways:

(a) by paying the Payments as provided herein as and when the same become due and payable at their scheduled due dates pursuant to Section 1 hereof or on a date on which they can be prepaid;

(b) by depositing with a Depository Trustee, in trust for such purposes, money which, together with the amounts then on deposit with the Seller and available for the Payments is fully sufficient to make, or cause to be made, the Payments at their scheduled due dates or on a date on which they can be prepaid or

(c) by depositing with a Depository Trustee, in trust for such purpose, any Defeasance Obligations which are noncallable, in such amount as shall be certified to the Seller and the City, by a national firm of certified public accountants acceptable to both the Seller and the City, as being fully sufficient, together with the interest to accrue thereon and moneys then on deposit with the Seller and available for the Payments, to make, or cause to be made, the Payments at their scheduled due dates or on a date on which they can be prepaid.

Section 8. Term of Agreement. This Agreement shall not terminate so long as any payments are due and owing pursuant to the Obligation. Subject to Section 7 hereof, upon full payment or provision for payment and in consideration of the timely payment of all of the amounts described in Subsection 1(b) hereof (including the Payments) and provided that the City has performed all the covenants and agreements required by the City to be performed, this Agreement shall cease and expire. The obligations of the City under this Agreement, including, without limitation, its obligation to pay the Payments, shall survive any action brought as provided in the next Section hereof, and the City shall continue to pay the Payments and perform all other obligations provided in this Agreement; provided, however, that the City shall be credited with any amount received by the Seller pursuant to actions brought under the next Section hereof.

Section 9. Default; Remedies Upon Default.

(a) (i) Upon (A) the nonpayment of the whole or any part of any of the amounts described in Subsection 1(b) hereof (including the Payments) at the time when the same are to be paid as provided herein or in the Trust Agreement, (B) the violation by the City of any other covenant or provision of this Agreement or the Trust Agreement, (C) the occurrence of an event of default with respect to the First Loan Repayment

Agreement, the Second Loan Repayment Agreement, the 2015 Taxable Agreement or the other of the Parity Lien Obligations or (D) the insolvency or bankruptcy of the City as the same may be defined under any law of the United States of America or the State, or any voluntary or involuntary action of the City or others to take advantage of, or to impose, as the case may be, any law for the relief of debtors or creditors, including a petition for reorganization, and

(ii) if such default has not been cured (A) in the case of nonpayment of any of the amounts described in Subsection 1(b) hereof (including the Payments) as required hereunder or under the Trust Agreement on the due date or the nonpayment of principal or interest due with respect to the First Loan Repayment Agreement, the Second Loan Repayment Agreement, the 2015 Taxable Agreement or the other of the Parity Lien Obligations on their due dates; (B) in the case of the breach of any other covenant or provision of the Trust Agreement or this Agreement not cured within sixty (60) days after notice in writing from the Seller specifying such default and (C) in the case of any other default under the First Loan Repayment Agreement, the Second Loan Repayment Agreement, the 2015 Taxable Agreement or the other of the Parity Lien Obligations after any notice and passage of time provided for under the proceedings under which such obligations were issued then,

(iii) subject to the limitations of the Trust Agreement, the Seller may take whatever action at law or in equity, including the remedy of specific performance, may appear necessary or desirable to collect the Payments and any other amounts payable by the City under the Trust Agreement or this Agreement then due (but not the Payments and such other amounts accruing), or to enforce performance and observance of any pledge, obligation, agreement or covenant of the City under the Trust Agreement or this Agreement, and with respect to the revenues from the Excise Taxes and, subject to the State Intercept of Funds with regard to the First Loan Repayment Agreement, the Second Loan Repayment Agreement and the other of the Parity Lien Obligations which is also an Additional Agency/Authority Loan Agreement, the State Shared Revenues, without notice and without giving any bond or surety to the City or anyone claiming under the City, have a receiver appointed of the revenues from the Excise Taxes and, subject to the State Intercept of Funds with regard to the First Loan Repayment Agreement, the Second Loan Repayment Agreement and the other of the Parity Lien Obligations which is also an Additional Agency/Authority Loan Agreement, the State Shared Revenues which are pledged to the payment of amounts due hereunder, with such powers as the court making such appointment shall confer (and the City does hereby irrevocably consent to such appointment); provided, however, that under no circumstances may the Payments be accelerated.

Each right, power and remedy of the Seller provided for in this Agreement shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for herein, or, unless prohibited by the terms hereof, now or hereafter existing at law or in equity or by statute or otherwise, in any jurisdiction where such rights, powers and remedies are sought to be enforced, and the exercise or beginning of the exercise by the Seller of any one or more of the rights, powers or remedies provided for herein or now or hereafter existing at law or in equity or by statute or

otherwise shall not preclude the simultaneous or later exercise by either party of any or all of such other rights, powers or remedies. The failure to insist upon strict performance of any of the covenants or agreements herein set forth shall not be considered or taken as a waiver or relinquishment for the future of the rights of the Seller to insist upon a strict compliance by the Seller with all the covenants and conditions hereof. The City shall, upon not less than 10 days' prior request by the Seller, execute, acknowledge and deliver to the Seller a statement in writing certifying that this Agreement is unmodified and in full force and effect (or, if this Agreement has been modified, that it is in full force and effect except as modified, and stating the modification), and the dates to which the amounts payable hereunder have been paid in advance, if any.

(b) The Seller shall in no event be in default in the performance of any of its obligations hereunder unless and until the Seller shall have failed to perform such obligation within 30 days or such additional time as is reasonably required to correct any such default after notice by the City properly specifying wherein the Seller has failed to perform any such obligation. No default by the Seller shall relieve the City of its obligations to make the various payments herein required, so long as the Obligation remains outstanding; however, the City may exercise any other remedy available at law or in equity to require the Seller to remedy such default so long as such remedy does not interfere with or endanger the payments required to be made by the Seller under the Trust Agreement.

Section 10. Assignment.

(a) Except as otherwise provided herein, the City shall not assign, transfer, pledge or hypothecate or otherwise dispose of this Agreement or any interest therein, and any assignment in contravention hereof shall be void.

(b) Subject to the terms of the Trust Agreement, all and every part of the right, title and interest of the City in and to this Agreement and all payments of any kind due or which become due to the Seller hereunder are sold, pledged, assigned and transferred pursuant to the Trust Agreement.

Section 11. Federal Law Provisions.

(a) (i) No direction for the making of any investment or other use of the proceeds of the Obligation or of the Prior Projects shall be made which would cause the Obligation to be "arbitrage bonds" as that term is defined in section 148 (or any successor provision thereto) of the Code or "private activity bonds" as that term is defined in section 141 (or any successor provision thereto) of the Code, and the requirements of such sections and related regulations of the Code shall be complied with throughout the term of the Obligation. Particularly, the City shall be the owner of the Prior Projects for federal income tax purposes. The City shall not enter into any management or service contract with any entity other than a governmental entity for the operation of any portion of the Prior Projects unless the management or service contract complies with the requirements of Revenue Procedure 97-13 or such other authority as may control at the time or any lease or other arrangement with any entity other than a governmental entity that gives such entity special legal entitlements with respect to any portion of the Prior Projects. Also, the payment of principal and interest with respect to the Obligation shall not be guaranteed (in whole or in part) by the United States or any agency or instrumentality of the United States. The

proceeds of the Obligation, or amounts treated as proceeds of the Obligation, shall not be invested (directly or indirectly) in federally insured deposits or accounts, except to the extent such proceeds may be so invested for an initial temporary period until needed for the purpose for which the Obligation is being executed and delivered, may be so used in making investments in a *bona fide* debt service fund or may be invested in obligations issued by the United States Treasury. The City shall comply with the procedures and covenants contained in any arbitrage rebate provision or separate agreement executed in connection with the execution and delivery of the Obligation (initially those in subsection (b)) for so long as compliance is necessary in order to maintain the exclusion from gross income for federal income tax purposes of the Interest Portion. In consideration of the purchase and acceptance of the Obligation by the Owner and of retaining such exclusion and as authorized by Title 35, Chapter 3, Article 7, Arizona Revised Statutes, the City shall, and the appropriate officials of the City are hereby directed, to take all action required to retain such exclusion or to refrain from taking any action prohibited by the Code which would adversely affect in any respect such exclusion.

(ii) (A) The City shall take all necessary and desirable steps, as determined by the Mayor and Council of the City, to comply with the requirements hereunder in order to ensure that the Interest Portion is excluded from gross income for federal income tax purposes under the Code; provided, however, compliance with any such requirement shall not be required in the event the City receives a Special Counsel's Opinion that either compliance with such requirement is not required to maintain the exclusion from gross income of the Interest Portion or compliance with some other requirement will meet the requirements of the Code relating to such exclusion. In the event the City receives such a Special Counsel's Opinion, the parties agree to amend this Agreement to conform to the requirements set forth in such opinion.

(B) If for any reason any requirement hereunder is not complied with, the City shall take all necessary and desirable steps, as determined by the City, to correct such noncompliance within a reasonable period of time after such noncompliance is discovered or should have been discovered with the exercise of reasonable diligence and the City shall pay any required interest or penalty under hereinafter described Regulations section 1.148-3(h) with respect to the Code.

(C) The City designates the Obligation as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the Code. It is represented and covenanted that the City and all subordinate entities or entities that issue obligations on its behalf, or on behalf of which it issues obligations, during the current calendar year have not issued and will not issue tax-exempt obligations designated as qualified tax-exempt obligations in an aggregate amount, including the Obligation, exceeding \$10,000,000.

(D) Written procedures have been established for the City to ensure that all nonqualified obligations are remediated according to the requirements under the Code and related Regulations and to monitor the requirements of section 148 of the Code relating to arbitrage, with which the City will comply.

(b) (i) Undefined terms used in this subsection shall have the meanings given to them in the Code and the Regulations.

(ii) Unless an exception is available to the satisfaction of the City Representative, within 60 days after the end of each Bond Year, the City shall cause the Rebate Requirement to be calculated and shall pay to the United States of America:

(A) not later than 60 days after the end of the fifth Bond Year and every fifth Bond Year thereafter, an amount which, when added to the future value of all previous Rebate Payments with respect to the Obligation (determined as of such Computation Date), is equal to at least 90% of the sum of the Rebate Requirement (determined as of the last day of such Bond Year) plus the future value of all previous Rebate Payments with respect to the Obligation (determined as of the last day of such Bond Year); and

(B) not later than 60 days after the retirement of the last Obligation, an amount equal to 100% of the Rebate Requirement (determined as of the date of retirement of the last Obligation).

Each Rebate Payment required to be made under this Section shall be filed on or before the date such payment is due, with the Internal Revenue Service at the appropriate location and with required forms and other materials, currently by addressing it to IRS Service Center, Ogden, Utah 84201, and accompanying it with IRS Form 8038-T.

(iii) No Nonpurpose Investment shall be acquired for an amount in excess of its fair market value. No Nonpurpose Investment shall be sold or otherwise disposed of for an amount less than its fair market value.

(iv) For purposes of paragraph (iii), whether a Nonpurpose Investment has been purchased or sold or disposed of for its fair market value shall be determined as follows:

(A) The fair market value of a Nonpurpose Investment generally shall be the price at which a willing purchaser would purchase the Nonpurpose Investment from a willing seller in a bona fide arm's length transaction. Fair market value shall be determined on the date on which a contract to purchase or sell the Nonpurpose Investment becomes binding.

(B) Except as provided in Subsection (v) or (vi), a Nonpurpose Investment that is not of a type traded on an established securities market, within the meaning of Code section 1273, is rebuttably presumed to be acquired or disposed of for a price that is not equal to its fair market value.

(C) If a United States Treasury obligation is acquired directly from or sold or disposed of directly to the United States Treasury, such acquisition or sale or disposition shall be treated as establishing the fair market value of the obligation.

(v) The purchase price of a certificate of deposit that has a fixed interest rate, a fixed payment schedule and a substantial penalty for early withdrawal is considered to be its fair market value if the yield on the certificate of deposit is not less than:

(A) the yield on reasonably comparable direct obligations of the United States; and

(B) the highest yield that is published or posted by the provider to be currently available from the provider on reasonably comparable certificates of deposit offered to the public.

(vi) A guaranteed investment contract shall be considered acquired and disposed of for an amount equal to its fair market value if:

(A) A bona fide solicitation in writing for a specified guaranteed investment contract, including all material terms, is timely forwarded to all potential providers. The solicitation must include a statement that the submission of a bid is a representation that the potential provider did not consult with any other potential provider about its bid, that the bid was determined without regard to any other formal or informal agreement that the potential provider has with the City or any other person (whether or not in connection with the Obligation), and that the bid is not being submitted solely as a courtesy to the City or any other person for purposes of satisfying the requirements in the Regulations that the City receive bids from at least one reasonably competitive provider and at least three providers that do not have a material financial interest in the Obligation.

(B) All potential providers have an equal opportunity to bid, with no potential provider having the opportunity to review other bids before providing a bid.

(C) At least three reasonably competitive providers (i.e. having an established industry reputation as a competitive provider of the type of investments being purchased) are solicited for bids. At least three bids must be received from providers that have no material financial interest in the Obligation (e.g., a lead underwriter within 15 days of the issue date of the Obligation or a financial advisor with respect to the investment) and at least one of such three bids must be from a reasonably competitive provider. If the City uses an agent to conduct the bidding, the agent may not bid.

(D) The highest-yielding guaranteed investment contract for which a qualifying bid is made (determined net of broker's fees) is purchased.

(E) The determination of the terms of the guaranteed investment contract takes into account as a significant factor the reasonably expected deposit and drawdown schedule for the amounts to be invested.

(F) The terms for the guaranteed investment contract are commercially reasonable (i.e. have a legitimate business purpose other than to increase the purchase price or reduce the yield of the guaranteed investment contract).

(G) The provider of the investment contract certifies the administrative costs (as defined in Regulations section 1.148-5(e)) that it pays (or expects to pay) to third parties in connection with the guaranteed investment contract.

(H) The City retains until three years after the last outstanding Obligation is retired, (1) a copy of the guaranteed investment contract, (2) a receipt or other record of the amount actually paid for the guaranteed investment contract, including any administrative costs paid by the City and a copy of the provider's certification described in (G) above, (3) the name of the person and entity submitting each bid, the time and date of the bid, and the bid results and (4) the bid solicitation form and, if the terms of the guaranteed investment contract deviate from the bid solicitation form or a submitted bid is modified, a brief statement explaining the deviation and stating the purpose of the deviation.

(vii) Such experts and consultants shall be employed by the City to make, as necessary, any calculations in respect of rebates to be made to the United States of America in accordance with section 148(f) of the Code with respect to the Obligation.

Section 12. Covenant as to Conflict of Interest; Other Statutory Restrictions.

(a) To the extent applicable by provision of law, the Seller acknowledges that this Agreement is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, the provisions of which are incorporated herein and which provides that the City may within three (3) years after its execution cancel any contract (including this Agreement) without penalty or further obligation made by the City if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the City is at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party to the contract with respect to the subject matter of the contract. The cancellation shall be effective when written notice is received by all other parties to the contract unless the notice specifies a later time. The Seller covenants not to employ as an employee, an agent or, with respect to the subject matter of this Agreement, a consultant, any person significantly involved in initiating, negotiating, securing, drafting or creating this Agreement on behalf of the Seller within three years from the execution of this Agreement, unless a waiver of Section 38-511, Arizona Revised Statutes, is provided by the City. No basis exists for the City to cancel this Agreement pursuant to Section 38-511, Arizona Revised Statutes, as of the date hereof.

(b) To the extent applicable under Section 41-4401, Arizona Revised Statutes, the Seller shall comply with all federal immigration laws and regulations that relate to its employees and its compliance with the "e-verify" requirements under Section 23-214(A), Arizona Revised Statutes. The breach by the Seller of the foregoing shall be deemed a material breach of this Agreement and may result in the termination of the services of the Seller by the City. To the extent permitted by law, the City retains the legal right to randomly inspect the papers and records of the Seller to ensure that the Seller is complying with the above-mentioned warranty. The Seller shall keep such papers and records open for random inspection during normal business hours by the City. The Seller shall cooperate with the random inspections by the City including granting the City entry rights onto its property to perform such random inspections and waiving its respective rights to keep such papers and records confidential.

Section 13. Miscellaneous.

(a) No covenant or obligation herein to be performed by the City may be waived except by the written consent of the Seller, and a waiver of any such covenant or obligation or a forbearance to invoke any remedy on any occasion shall not constitute or be treated as a waiver of such covenant or obligation as to any other occasion and shall not preclude the Seller from invoking such remedy at any later time prior to the cure by the City of the condition giving rise to such remedy.

(b) This Agreement shall be construed and governed in accordance with the laws of the State in effect from time to time.

(c) The recitals set forth at the beginning of this Agreement are incorporated in this Agreement by this reference. This Agreement constitutes the entire agreement between the parties and shall not be modified, waived, discharged, terminated, amended, supplemented, altered or changed in any respect except by a written document signed by both the Seller and the City, subject to the restrictions with regard thereto provided by the Trust Agreement.

(d) Any term or provision of this Agreement found to be prohibited by law or unenforceable or which would cause this Agreement to be invalid, prohibited by law or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without, to the extent reasonably possible, causing the remainder of this Agreement to be invalid, prohibited by law or unenforceable.

(e) The captions set forth herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

(f) Except as otherwise provided herein, this Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, successors, assigns and personal representatives, as the case may be. Any person or entity acquiring any interest in or to the right, title or interest of the Seller herein shall be and have the rights of a third party beneficiary hereunder.

(g) This Agreement may be executed in any number of counterparts, each of which shall be regarded as an original and all of which shall constitute but one and the same instrument.

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

The Seller:

_____, as seller

By

Printed Name:

Title:

The City:

CITY OF SAFFORD, ARIZONA, a municipal corporation under the laws of the State of Arizona, as purchaser

By.....
Mayor

ATTEST:

By.....
Town Clerk

SCHEDULE

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
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FIRST EXCISE TAX TRUST AGREEMENT (TAX-EXEMPT)

by and between

_____,
as Trustee

and

THE CITY OF SAFFORD, ARIZONA,
as Purchaser

Dated as of _____ 1, 2015

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EXHIBIT FORM OF OBLIGATION

* * *

FIRST EXCISE TAX TRUST AGREEMENT (TAX-EXEMPT)

THIS FIRST EXCISE TAX TRUST AGREEMENT (TAX-EXEMPT), made and entered into as of the first day of _____, 2015 (this "Trust Agreement"), by and between the CITY OF SAFFORD, ARIZONA, a municipal corporation under the laws of the State of Arizona (the "City") and _____, a national banking association authorized to exercise trust powers in the State of Arizona, as trustee, and any successor to its duties hereunder (the "Trustee"), and;

W I T N E S S E T H:

WHEREAS, pursuant to Resolution No. _____ adopted on December 22, 2014, the Mayor and Council of the City determined (1) to prepay amounts due pursuant to certain project lease/purchase agreements (collectively, the "Hangar Leases") by and between the City and The Stockmans Bank which were entered into for the purpose of financing the costs of hangars at the airport of the City (the "Airport Prior Projects") and (2) to prepay a portion of the amounts due pursuant to the Loan Repayment Agreement, dated as of March 1, 2006 (the "First Loan Repayment Agreement"), between the City and the Greater Arizona Development Authority, a body corporate and politic constituting a governmental instrumentality duly organized and existing within the State of Arizona under the Constitution and laws of the State of Arizona ("GADA") which was entered into for the purpose of financing the costs of making street improvements in and for the City (the "GADA Prior Project"); and

WHEREAS, for such purposes, the Mayor and Council of the City requested that the Trustee sell and execute and deliver the Excise Tax Revenue Refunding Obligation (Tax-Exempt), Series 2015, in the principal amount of \$_____,000 (the "Obligation"), and the Trustee has, as described in this Trust Agreement, transferred proceeds of the sale of the Obligation to the Escrow Trustee (as such term and all other terms not hereinabove defined are defined in Section 1.1 hereof);

GRANTING CLAUSES

NOW, THEREFORE, In order to secure the payment of principal and interest (to the extent provided herein) related to the Obligation, the rights of the Owner and the performance and the observance of the covenants and conditions contained in the Obligation, the Purchase Agreement and herein, and the performance and the observance of all of the covenants and conditions contained therein, the City absolutely and irrevocably pledges and assigns to the Trustee, and the Trustee hereby declares an irrevocable trust and acknowledges its acceptance of, all right, title and interest in and to the following described trust estate, which shall be administered by the Trustee according to the provisions of this Trust Agreement:

A. All right, title and interest of the Seller in, under and pursuant to the Purchase Agreement, the Payments and any other amounts payable by the City under the Purchase Agreement and the present and continuing right to (i) make claim for, collect or cause to be collected, receive or cause to be received all such revenues, receipts and other sums of money payable or receivable thereunder, (ii) to bring acts and proceedings thereunder or for the

enforcement of such rights, and (iii) to do any and all other things which the Seller is or may become entitled to do thereunder;

B. Amounts on deposit from time to time in the funds created pursuant hereto, subject to the provisions of this Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein; and

C. Any and all other real or personal property of any kind from time to time hereafter by delivery or by writing of any kind specifically conveyed, pledged, assigned or transferred, as and for additional security hereunder for the Obligation, by the Seller or by anyone on its behalf or with its written consent, in favor of the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof,

TO HAVE AND TO HOLD, all and singular, the trust estate, including all additional property which by the terms hereof has or may become subject to the encumbrance of this Trust Agreement, unto the Trustee and its successors and assigns, forever, subject, however, to the rights reserved hereunder;

IN TRUST, however, for the benefit and security of the Owner, conditioned, however, that if the City shall well and truly pay or cause to be paid fully and promptly when due all indebtedness, liabilities, obligations and sums at any time secured hereby, including interest and attorneys' fees, and shall promptly, faithfully and strictly keep, perform and observe or cause to be kept, performed and observed all of its covenants, warranties and agreements contained herein, this Trust Agreement shall be and become void and of no further force and effect; otherwise, the same shall remain in full force and effect, and upon the trust and subject to the covenants and conditions hereinafter set forth.

For such purposes, the City and the Trustee hereby agree as follows:

ARTICLE I DEFINITIONS

Section 1.1. Definitions. In addition to the terms defined in the first paragraph hereof and in the Recitals hereto and unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Trust Agreement, have the meanings herein specified.

“*2015 Taxable Agreement*” means the Second Excise Tax Purchase Agreement (Taxable), dated as of _____ 1, 2015, by and between the City and the Trustee, in its capacity as “Seller.”

“*Additional Agency/Authority Loan Agreement*” means an agreement for any additional loan from GADA (as defined in the Purchase Agreement) or for any loan from WIFA subject to Section 49-1225(F) or 49-1245(F), Arizona Revised Statutes hereafter consummated.

“*Bond Year*” means each one-year period beginning on the day after the expiration of the preceding Bond Year. The first Bond Year shall begin on the date of issue of the Obligation and shall end on the date selected by the City, provided that the first Bond Year shall not exceed one calendar year. The last Bond Year shall end on the date of payment of the Obligation.

“*Bond Yield*” means the discount rate that produces a present value equal to the Issue Price of all unconditionally payable payments of principal, interest and fees for qualified guarantees within the meaning of Regulations section 1.148-4(f) and amounts reasonably expected to be paid as fees for qualified guarantees in connection with the Obligation as determined under Regulations section 1.148-4(b), recomputed if required by Regulations section 1.148-4(b)(4) or 4(h)(3). The present value of all such payments shall be computed as of the date of issue of the Obligation and using semiannual compounding on the basis of a 360-day year.

“*Business Day*” means any day of the week other than a Saturday, Sunday or a day which shall be in the State a legal holiday or a day on which the Trustee is authorized or obligated by law or executive order to close or a day on which the Federal Reserve is closed.

“*City Representative*” means the City Manager, the City Finance Director or any other person authorized by the City Manager or the Mayor and Council to act on behalf of the City with respect to this Trust Agreement.

“*Closing Date*” means _____, 2015.

“*Code*” means the Internal Revenue Code of 1986, as amended. References to the Code and sections thereof include applicable regulations and temporary regulations thereunder and any successor provisions to those sections, regulations or temporary regulations and any applicable regulations or temporary regulations issued pursuant to the Internal Revenue Code of 1954, as amended.

“*Corporate Trust Office*” means the office of the Trustee designated in Section 12.2 or any successor corporate trust office.

“*Costs of Issuance Fund*” means the fund of that name established pursuant to Article III hereof and held by the Trustee.

“*Defaulted Interest*” has the meaning provided in Section 2.10(d).

“*Defeasance Obligations*” means, to the extent permitted by law, (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, or any combination thereof.

“*Delivery Costs*” means all items of expense directly or indirectly payable by or reimbursable to the City or the Trustee relating to the sale and execution and delivery of the Purchase Agreement, this Trust Agreement and the Obligation, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee, financing discounts, legal fees and charges, insurance fees and charges, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Obligation and charges and fees in connection with the foregoing.

“*Depository Trustee*” means any bank or trust company, which may include the Trustee, designated by the City, with a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000) and subject to supervision or examination by federal or State of Arizona authority.

“*electronically*” or “*electronic method*” means, with respect to notice, one transmitted through a timesharing terminal, computer network or facsimile machine, if operative as between any two parties, or if not operative, by telephone (promptly confirmed in writing).

“*Escrow Trust Agreement*” means the Escrow Trust Agreement, dated as of _____ 1, 2015, between the City and the Escrow Trustee.”

“*Escrow Trustee*” means the Trustee, in its separate capacity as Escrow Trustee.

“*Event of Default*” means an event of default described in Section 9 of the Purchase Agreement.

“*Excise Taxes*” means the unrestricted transaction privilege (sales) taxes, business license and franchise fees, parks and recreation fees and permits and fines and forfeitures the City imposes; provided that the Mayor and Council of the City may impose other transaction privilege taxes in the future, the uses of revenue from which will be restricted, at the discretion of such Council.

“*Gross Proceeds*” means:

(i) any amounts actually or constructively received by the City from the sale of the Obligation but excluding amounts used to pay accrued interest on the Obligation within one year of the date of issuance of the Obligation;

(ii) transferred proceeds of the Obligation under Regulations section 1.148-9;

(iii) any amounts actually or constructively received from investing amounts described in (i), (ii) or this (iii) and

(iv) replacement proceeds of the Obligation within the meaning of Regulations section 1.148-1(c). Replacement proceeds include amounts reasonably expected

to be used directly or indirectly to pay debt service on the Obligation, pledged amounts where there is reasonable assurance that such amounts will be available to pay principal or interest on the Obligation in the event the City encounters financial difficulties and other replacement proceeds within the meaning of Regulations section 1.148-1(c)(4). Whether an amount is Gross Proceeds is determined without regard to whether the amount is held in any fund or account established under this Trust Agreement.

“*Independent Counsel*” means an attorney duly admitted to the practice of law before the highest court of the state in which such attorney maintains an office and who is not an employee of the City or the Trustee and which may include the counsel giving a Special Counsel’s Opinion.

“*Interest Payment Date*” means each January 1 and July 1, while principal related to the Obligation is outstanding provided that, pursuant to Section 9.6, if any such day is not a Business Day, any payment due on such date may be made on the next Business Day, without additional interest and with the same force and effect as if made on the specified date for such payment.

“*Interest Portion*” means the amounts of each of the Payments in the column in the Schedule attached to the Purchase Agreement designated “Interest,” denominated as and comprising the interest portion of the Payments pursuant to the Purchase Agreement and received by the Seller.

“*Investment Property*” means any security, obligation (other than a tax-exempt bond within the meaning of Code section 148(b)(3)(A)), annuity contract or investment-type property within the meaning of Regulations section 1.148-1(b).

“*Issue Price*” means the initial offering price to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters of wholesalers) at which price the Obligation was sold, less any bond insurance premium and reserve surety bond premium. Issue price shall be determined as provided in Regulations section 1.148-1(b).

“*Market Value*” means the indicated bid value of the investment or investments to be valued as shown in The Wall Street Journal or any publication having general acceptance as a source of valuation of the same or similar types of securities or any securities pricing service available to or used by the Trustee and generally accepted as a source of valuation.

“*Nonpurpose Investment*” means any Investment Property acquired with Gross Proceeds and which is not acquired to carry out the governmental purposes of the Obligation.

“*Notification*” shall have the meaning provided in Section 10.3(b).

“*Owner*” or any similar term, when used with respect to an Obligation means _____, or the entity provided in Section 2.8.

“*Parity Lien Obligations*” means an obligation issued on a parity with the First Loan Repayment Agreement and the Second Loan Repayment Agreement (including the 2015 Taxable Agreement), as permitted by Section 6 of the First Loan Repayment Agreement and the Second Loan Repayment Agreement, which includes Additional Agency/Authority Loan Agreements.

“*Payment Fund*” means the fund of that name established pursuant to Article V hereof and held by the Trustee.

“*Payments*” means the Payments required to be paid by the City pursuant to Subsection 1(b) of the Purchase Agreement and as set forth in the Schedule to the Purchase Agreement, subject to the provisions of Subsection 5.2(b).

“*Permitted Investments*” means any investment permitted by Section 35-323, Arizona Revised Statutes.

“*Prior Projects*” means, together, the Airport Prior Projects and the GADA Prior Project.

“*Purchase Agreement*” means the First Excise Tax Purchase Agreement (Tax-Exempt), dated as of _____ 1, 2015, by and between the City and the Trustee, in its capacity as “Seller.”

“*Rebate Payment*” means any payment within the meaning of Regulations section 1.148-3(d)(1) with respect to a Nonpurpose Investment.

“*Rebate Requirement*” means, for each Bond Year, at any time the excess of the future value of all Receipts over the future value of all Rebate Payments. For purposes of calculating the Rebate Requirement the Bond Yield shall be used to determine the future value of Receipts and Rebate Payments in accordance with Regulations section 1.148-3(c). The Rebate Requirement is zero for any Nonpurpose Investment meeting the requirements of a rebate exception under section 148(f)(4) of the Code or Regulations section 1.148-7.

“*Receipt*” means any receipt within the meaning of Regulations section 1.148-3(d)(2) with respect to a Nonpurpose Investment.

“*Regular Record Date*” means the close of business on the fifteenth day of the month preceding each Interest Payment Date.

“*Regulations*” means the sections 1.148-1 through 1.148-11 and section 1.150-1 of the regulations of the United States Department of the Treasury promulgated under the Code, including and any amendments thereto or successor regulations.

“*Responsible Officer*” means, when used with respect to the Trustee, the president, any vice president, any assistant vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, any senior associate, any associate or any other officer of the Trustee within the Corporate Trust Office customarily performing functions similar to those

performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred at the Corporate Trust Office because of such person's knowledge of and familiarity with the particular subject and having direct responsibility for the administration of this Trust Agreement.

“*Second Loan Repayment Agreement*” means the Second Loan Repayment Agreement, dated as of June 1, 2009, between the City and GADA.

“*Special Counsel's Opinion*” means an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the City.

“*Special Record Date*” has the meaning provided in Section 2.10(d).

“*State*” means the State of Arizona.

“*State Intercept of Funds*” means the withholding of the State Shared Revenues as provided in Sections 41-1554.06(L) and (M) and 41-1554.07(I), (J), and (K), Arizona Revised Statutes.

“*State Shared Revenues*” means any amounts of excise taxes, transaction privilege (sales) taxes and income taxes imposed by the State or any agency thereof and returned, allocated or apportioned to the City, except the City's share of any such taxes which by State law, rule or regulation must be expended for other purposes such as motor vehicle fuel taxes.

Words importing persons include firms, associations and corporations, and the singular and plural forms of words shall be deemed interchangeable wherever appropriate.

Section 1.2. Interpretation.

(a) Any reference herein to the Mayor and Council of the City or any officer of the City shall include those succeeding to their functions, duties or responsibilities pursuant to or by operation of law or who are lawfully performing their functions.

(b) Unless the context otherwise indicates, words importing the singular shall include the plural and vice versa and the use of the neuter, masculine or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender.

(c) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof. References to “Articles” and “Sections” are to those in this Agreement.

Section 1.3. Obligation Not General Obligation of the City. The Obligation shall be payable solely out of the revenues and other security pledged hereby and shall not constitute an indebtedness or general obligation of the City within the meaning of any State constitutional provision or statutory limitation and shall never constitute or give rise to a pecuniary

liability of the City or be a charge against the City's general credit or a charge against the general credit or the taxing powers of the State or any political subdivision thereof.

ARTICLE II EXCISE TAX REVENUE OBLIGATION

Section 2.1. Authorization of the Obligation. The Trustee is hereby authorized and directed to execute and deliver to the Owner, the Obligation in the principal amount of \$_____,000, evidencing a one hundred percent (100%) proportionate ownership interest in the Payments. In no event shall the Obligation be deemed a liability, debt or obligation of the Trustee.

Section 2.2. Date; Interest Accrual. The Obligation shall be dated the Closing Date, and interest related thereto shall be payable from such date or from the most recent Interest Payment Date to which interest has previously been paid or made available for payment with respect to the Obligation.

Section 2.3. Payment Amount and Date and Interest Rate. The Obligation shall be payable on July 1, 20___, and interest represented thereby shall be computed at the rate of _____ percent (_____%).

Section 2.4. Interest on Obligation. Interest related to the Obligation shall be payable semiannually on January 1 and July 1 of each year commencing _____ 1, 20___, to and including the date of payment or prepayment of the amount of principal of the Obligation. Said interest shall represent the portion of the Payments designated as interest and coming due during the six-month period preceding each Interest Payment Date with respect to the Obligation. The proportionate share of the portion of the Payments designated as interest with respect to the Obligation shall be computed by multiplying the portion of Payments designated as principal with respect to the Obligation by the rate of interest applicable to the Obligation (on the basis of a 360-day year of twelve 30-day months).

Section 2.5. Form. The Obligation shall be in the form of one fully registered, physically certificated Obligation registered in the name of the Owner. The form of the Obligation shall be substantially in the form set forth in the Exhibit hereto.

Section 2.6. Execution. The Obligation shall be executed by and in the name of the Trustee by the manual signature of an authorized representative of the Trustee. If the representative whose signature appears on the Obligation ceases to be such representative before the Closing Date, such signature shall nevertheless be as effective as if the representative had remained in office until the Closing Date. The Obligation may be executed on behalf of the Trustee by such person as at the actual date of the execution of the Obligation shall be the proper authorized representative of the Trustee although at the nominal date of the Obligation such person shall not have been such authorized representative of the Trustee. The Obligation shall not be valid or become obligatory for any purpose or shall be entitled to any security or benefit under this Trust Agreement unless and until executed and delivered by the Trustee. The execution by the Trustee of any Obligation shall be conclusive evidence that the Obligation has been duly authorized and delivered hereunder and is entitled to the security and benefit of this Trust Agreement.

Section 2.7. Application of Proceeds. The proceeds received by the Trustee from the sale of the Obligation shall forthwith be transferred by the Trustee as follows, in the following order of priority:

(a) \$ _____ shall be deposited in the Costs of Issuance Fund
and

(b) \$ _____ shall be transferred to the Escrow Trustee for purposes of the Escrow Trust Agreement.

Section 2.8. Transfer and Exchange. The Obligation may not be transferred or exchanged except as described in the next Section. However, the Trustee shall, within 30 days after a written request to the City Representative and a Responsible Officer from an authorized representative of the Owner provide for transfer of the Obligation to another party reasonably acceptable to the City Representative which shall then be considered the Owner for all purposes hereof. The City Representative shall provide the Trustee with written notice of the acceptance of such new Owner

Section 2.9. Obligations Mutilated, Lost, Destroyed or Stolen. If the Obligation shall become mutilated, the Trustee, at the expense of the Owner, shall execute and deliver a new Obligation of like tenor and payment date and for the remaining unpaid principal amount in exchange and substitution for the Obligation so mutilated, but only upon surrender to the Trustee of the Obligation so mutilated. Any mutilated Obligation so surrendered to the Trustee shall be cancelled by it and redelivered to, or upon the order of, the Owner. If the Obligation shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and, if an indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner, shall execute and deliver a new Obligation of like tenor and payment date and for the remaining unpaid principal amount, numbered as the Trustee shall determine in lieu of and in substitution for the Obligation so lost, destroyed or stolen. The Trustee may require payment of an appropriate fee for each new Obligation delivered under this Section and of the expenses which may be incurred by the Trustee in carrying out the duties under this Section. Any Obligation issued under the provisions of this Section in lieu of any Obligation alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Trust Agreement with all other Obligations secured by this Trust Agreement. The Trustee shall not be required to treat both the original Obligation and any replacement Obligation as being outstanding. Notwithstanding any other provision of this Section, in lieu of delivering a new Obligation for an Obligation which has been mutilated, lost, destroyed or stolen, and which has become due, the Trustee may make payment with respect to such Obligation upon receipt of the aforementioned indemnity.

Section 2.10. Payment.

(a) Payment of interest related to the Obligation on any Interest Payment Date shall be made to the Owner as of the Regular Record Date immediately preceding such Interest Payment Date.

(b) The principal and interest related to the Obligation shall be payable in lawful money of the United States of America.

(c) Interest and principal payable to the Owner shall be paid by wire transfer in immediately available funds to an account in the United States of America as directed by the Owner specifying the account address. The notice may provide that it shall remain in effect for subsequent payments until otherwise requested in a subsequent written notice. Notwithstanding the foregoing, the final payment of interest and principal to the Owner will be payable at the Corporate Trust Office upon surrender of the Obligation.

(d) Any interest related to the Obligation which is payable on, but is not punctually paid or duly provided for on, any Interest Payment Date (“Defaulted Interest”) shall forthwith cease to be payable to the Owner on the relevant Regular Record Date solely by virtue of such Owner having been such Owner. Such Defaulted Interest at the same rate as the Obligation shall thereupon be paid, together with interest thereon at the same rate per annum as such Defaulted Interest, by the Trustee (out of funds provided to it by the City) to the Owner at the close of business on a special record date for the payment of such portion of Defaulted Interest as may then be paid from the sources herein provided (the “Special Record Date”). When the Trustee has funds available to pay the Defaulted Interest and interest thereon, the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest and interest thereon which shall be not more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment by the Trustee. The Trustee shall promptly cause notice of the proposed payment of such Defaulted Interest and interest thereon and the Special Record Date therefor to be mailed, first class postage prepaid, to the Owner not less than ten (10) days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and interest thereon and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest and interest thereon shall be paid to the Owner on such Special Record Date.

(e) In the event the Obligation is not presented for payment at maturity, if moneys sufficient to pay the principal and interest related to the Obligation have been deposited pursuant hereto for such payment, all liability to the Owner thereof for the payment thereof will forthwith cease and be completely discharged, and thereupon it will be the duty of the Trustee to hold such moneys as provided herein, without liability for interest thereon, for the benefit of the Owner, who will thereafter be restricted exclusively to such moneys, for any claim of whatever nature on his part hereunder or on, or with respect to, the Obligation.

Section 2.11. Execution of Documents and Proof of Ownership.

(a) Any request, direction, consent, revocation of consent or other instrument in writing required or permitted by this Trust Agreement to be signed or executed by the Owner may be in any number of concurrent instruments of similar tenor, and may be signed or executed by the Owner in person or by its attorney or agent appointed by an instrument in writing for that purpose, or by any bank, trust company or other depository for the Obligation. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the ownership of the Obligation shall be sufficient for any purpose of this Trust Agreement (except as otherwise herein provided), if the fact and date of the execution by the Owner or the attorney or agent thereof of any such instrument and of any instrument appointing

any such attorney or agent, may be proved by a certificate, which need not be acknowledged or verified, of an officer of any bank or trust company located within the United States of America, or of any notary public, or other officer authorized to take acknowledgments of deeds to be recorded in such jurisdictions, that the persons signing such instruments acknowledged the execution thereof. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of his authority.

(b) Nothing contained in this Article II shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which the Trustee may deem sufficient. Any request or consent of the Owner shall bind every future Owner in respect of anything done or suffered to be done by the Trustee in pursuance of such request or consent.

ARTICLE III COSTS OF ISSUANCE FUND

Section 3.1. Establishment and Application of Costs of Issuance Fund.

(a) The Trustee shall establish a special trust fund designated as the “City of Safford Excise Tax Revenue Refunding Obligation Costs of Issuance Fund,” shall keep such fund separate and apart from all other funds and moneys held by it and shall administer such fund as provided in this Trust Agreement.

(b) Amounts in the Costs of Issuance Fund shall be disbursed for Delivery Costs. Disbursements from the Costs of Issuance Fund shall be made by the Trustee upon receipt of a requisition for disbursement (on which the Trustee is entitled to rely) executed or approved by the City Representative. Each such certificate shall set forth the amounts to be disbursed for payment, or reimbursement of previous payments, of Delivery Costs and the person or persons to whom said amounts are to be disbursed.

(c) On the earlier of _____ 1, 2015, or when all Delivery Costs associated with the Obligation have been paid (as shown by a certificate of a Town Representative, if requested by the Trustee), the Trustee shall transfer any amounts remaining in the Costs of Issuance Fund to the Payment Fund and the Costs of Issuance Fund shall be closed.

ARTICLE IV PREPAYMENT OF OBLIGATION

Section 4.1. Prepayment Provisions. The Obligation is subject to prepayment from prepayments made by the City pursuant to Section 7 of the Purchase Agreement, in whole

on any date, at a price equal to the principal amount thereof to be prepaid, together with accrued interest to the date fixed for prepayment, without a premium.[???

Section 4.2. Notice of Prepayment; Effect.

(a) The Trustee shall cause notice of the optional prepayment hereunder to be transmitted electronically to the Owner. Each such notice shall (1) be sent no more than 60 nor less than 30 calendar days prior to the prepayment date, (2) specify with respect to the Obligation the prepayment date and the prepayment price, (3) set forth the name, address and telephone number of the person from whom information pertaining to the prepayment may be obtained, and (5) state that on the prepayment date the Obligation will be payable at the Corporate Trust Office, that from that date interest will cease to accrue.

(b) If at the time of giving of notice of the optional prepayment of principal of the Obligation, there has not been deposited with the Trustee moneys or Defeasance Obligations sufficient to prepay the Obligation subject to such prepayment and the requirements of (d) below are not satisfied, then such notice shall state that the prepayment is conditional upon the deposit of moneys or Defeasance Obligations sufficient for the prepayment with the Trustee and satisfaction of such requirements not later than the opening of business on the prepayment date, and such notice will be of no effect and such Obligation shall not be prepaid unless such moneys or Defeasance Obligations are so deposited and such requirements in (d) below are met.

(c) Notice having been provided in the manner provided in (b) above, the Obligation shall become due and payable on the prepayment date and shall be paid at the prepayment price, plus accrued interest to the prepayment date.

(d) If the money or Defeasance Obligations for the prepayment of the Obligation to be prepaid, together with accrued interest thereon to the prepayment date, is held by the Trustee on the prepayment date, so as to be available therefor on that date, then from and after the prepayment date such principal thereof to be prepaid shall cease to bear interest, and the Obligation no longer shall be considered to be outstanding hereunder. If those moneys shall not be so available on the prepayment date, such principal shall continue to bear interest, until paid, at the same rate as they would have borne otherwise.

**ARTICLE V
PAYMENT FUND**

Section 5.1. Trustee's Rights in Purchase Agreement. The Trustee holds in trust hereunder all of its rights and duties in the Purchase Agreement, including but not limited to all of the rights to receive and collect all of the Payments and all other amounts required to be deposited in the Payment Fund pursuant to the Purchase Agreement or pursuant hereto. All of the Payments and such other amounts to which the Seller may at any time be entitled shall be paid directly to the Trustee in trust, and all of the Payments collected or received by the Trustee shall be held by the Trustee in trust hereunder in the Payment Fund for the benefit of the Owner.

Section 5.2. Establishment and Application of Payment Fund.

(a) The Trustee shall establish a special trust fund designated as the “City of Safford Excise Tax Revenue Refunding Obligation Payment Fund.” So long as the Obligation is outstanding, the City shall have no beneficial right or interest in the Payment Fund or the moneys deposited therein, except only as provided in this Trust Agreement, and such moneys shall be used and applied by the Trustee as hereinafter set forth.

(b) Not less than thirty (30) Business Days prior to each Interest Payment Date, the Trustee shall notify the City of the amount required to be paid, after taking into account amounts which will be transferred to the Payment Fund in accordance herewith, on or before such Interest Payment Date, so that a sufficient amount will then be on deposit for both principal and interest related to the Obligation. All amounts received by the Trustee as Payments pursuant to the Purchase Agreement and transfers pursuant hereto shall be deposited in the Payment Fund.

(c) All amounts in the Payment Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal and interest related to the Obligation as the same shall become due and payable, in accordance with the provisions of Articles II and IV.

Section 5.3. Transfers of Investment Earnings to Payment Fund. Except as otherwise directed by the City, the Trustee shall, on or before the next Interest Payment Date occurring on July 1, transfer any income or profit on the investment of moneys in the funds hereunder to the Payment Fund.

Section 5.4. Surplus. Any surplus remaining in any of the funds created hereunder, after prepayment and payment or provision for prepayment and payment of the Obligation, including accrued interest and payment of any applicable fees, expenses or indemnities to the Trustee, or provision for such prepayment and payment having been made to the satisfaction of the Trustee, shall be withdrawn by the Trustee and remitted to the City.

ARTICLE VI
MONEYS IN FUNDS; INVESTMENT; CERTAIN TAX COVENANTS

Section 6.1. Held in Trust. The moneys and investments held by the Trustee under this Trust Agreement are irrevocably held in trust for the benefit of the Owner and for the purposes herein specified, and such moneys, and any income or interest earned thereon, shall be expended only as provided in this Trust Agreement and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of the City or the Owner.

Section 6.2. Investments Authorized. Upon written order of the City Representative, moneys held by the Trustee hereunder shall be invested and reinvested by the Trustee, to the maximum extent practicable in Permitted Investments having the highest yield reasonably obtainable. The City Representative shall direct such investment in specific Permitted Investments. The City Representative shall be solely responsible for ascertaining that all proposed investments and reinvestments are Permitted Investments and that they comply with federal, state

and local laws, regulations and ordinances governing investment of such funds and for providing appropriate notice to the Trustee for the reinvestment of any maturing investment. Such investments, if registrable, shall be registered in the name of the Trustee and shall be held by the Trustee. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Section. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trustee may act as purchaser or agent in the making or disposing of any investment. The Trustee shall have no obligation to invest and reinvest any cash held by it hereunder in the absence of timely and specific written direction from the City Representative. In no event shall the Trustee be liable for the selection of investments. The Trustee may conclusively rely upon such written direction from the City Representative as to both the suitability and legality of the directed investments. The City acknowledges that regulations of the Comptroller of the Currency grant the City the right to receive brokerage confirmations of the security transactions as they occur, at no additional cost. To the extent permitted by law, the City specifically waives compliance with 12 C.F.R. 12 and hereby notifies the Trustee that no brokerage confirmations need be sent relating to the security transactions as they occur.

Section 6.3. Accounting. The Trustee shall furnish to the City, not less than semiannually, an accounting (which may be in the form of its customary statement) of all investments made by the Trustee. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with Section 6.2.

Section 6.4. Allocation of Earnings. Any income, profit or loss on such investments shall be deposited in or charged to the respective funds from which such investments were made, and any interest on any deposit of funds shall be deposited in the fund from which such deposit was made, except as otherwise provided herein. At the direction of the City Representative, any such income, profit or interest shall be transferred and applied if necessary to pay amounts due pursuant to section 148 of the Code.

Section 6.5. Valuation and Disposition of Investments. For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at Market Value. The Trustee may sell or present for redemption, any Permitted Investment so purchased by the Trustee whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from such investment.

Section 6.6. Limitation of Investment Yield. In the event the City is of the opinion that it is necessary to restrict or limit the yield on the investment of any amounts paid to or held by the Trustee hereunder in order to avoid the Obligation, being considered “arbitrage bonds” within the meaning of section 148 of the Code, the City Representative may issue to the Trustee a written certificate to such effect (along with appropriate instructions), in which event the Trustee will take such action as is instructed so to restrict or limit the yield on such investment in accordance with the specific instructions contained in such certificate, irrespective of whether the Trustee shares such opinion.

Section 6.7. Other Tax Covenants. In consideration of the acceptance and execution of the Purchase Agreement by the Trustee and the purchase by the Owner, and in consideration of retaining the exclusion of the portion of each Payment denominated as and comprising interest pursuant to the Purchase Agreement and received by the Owner for federal income tax purposes, the City shall, from time to time, neither take nor fail to take any action, which action or failure to act is within its power and authority and would result in such portion of each such Payment becoming subject to inclusion in gross income for federal income tax purposes under either laws existing on the date of execution of the Purchase Agreement or such laws as they may be modified or amended or tax laws later adopted. The City shall comply with such requirement(s) and will take any such action(s) as are necessary to prevent such portion of each such Payment from becoming subject to inclusion in gross income for federal income tax purposes. Such requirements may include but are not limited to making further specific covenants; making truthful certifications and representations and giving necessary assurances; complying with all representations, covenants and assurances contained in certificates or agreements to be prepared by special counsel; to pay to the United States of America any required amounts representing rebates of arbitrage profits relating to the Obligation; filing forms, statements and supporting documents as may be required under the federal tax laws; limiting the term of and yield on investments made with moneys held pursuant to this Trust Agreement and limiting the use of the proceeds of the Obligation and property financed thereby.

ARTICLE VII THE TRUSTEE

Section 7.1. Appointment of Trustee. The City hereby authorizes and directs the Trustee to, and the Trustee shall, execute and deliver the Purchase Agreement, as Seller, and receive all moneys required to be deposited with the Trustee hereunder and shall allocate, use and apply the same as provided in this Trust Agreement. The City shall maintain as the Trustee a bank or trust company with a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000), and subject to supervision or examination by federal or State authority, so long as the Obligation is outstanding. If such bank or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to then for the purpose of this Section, the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Section 7.2. Liability of Trustee; Standard of Care. Except with respect to its authority and power generally and authorization to execute this Trust Agreement, the recitals of facts, covenants and agreements herein, in the Purchase Agreement and in the Obligation shall be taken as statements, covenants and agreements of the City, and the Trustee assumes no responsibility for the correctness of the same, or makes any representations as to the validity hereof or sufficiency of this Trust Agreement, the Purchase Agreement or the Obligation or shall incur any responsibility in respect hereof or thereof, other than in connection with the duties or obligations herein or in the Obligation assigned to or imposed upon it. Prior to the occurrence of an Event of Default, or after the timely cure of an Event of Default, the Trustee shall perform only such duties as are specifically set forth in this Trust Agreement and no implied obligations or

covenants should be read into this Trust Agreement against the Trustee. After the occurrence of an Event of Default, the Trustee shall exercise such of the rights and powers vested in it, and use the same degree of care and skill in such exercise, as a prudent person would exercise under the circumstances in the conduct of the affairs of the Trustee.

Section 7.3. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall be eligible under Section 7.1, shall be the successor to the Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

Section 7.4. Protection and Rights of the Trustee.

(a) The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, request, consent, waiver, certificates, statements, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of this Trust Agreement, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee shall not be bound to take any action at the request of the Owner unless the Obligation shall be deposited with the Trustee. The Trustee may consult with counsel with regard to legal questions, and the advice or opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith in accordance therewith.

(b) Whenever in the administration of its duties under this Trust Agreement, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) shall be deemed to be conclusively proved and established by the certificate of the City Representative and such certificate shall be full warranty to the Trustee for any action taken or suffered under the provisions of this Trust Agreement upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

(c) The Trustee may acquire and dispose of other bonds or evidence of indebtedness of the City with the same rights it would have if it were not the Trustee and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the Owner, whether or not such committee shall represent the Owner.

(d) The recitals, statements and representations by the City contained in this Trust Agreement, the Purchase Agreement or the Obligation shall be taken and construed as made by and on the part of the City and not by the Trustee, and the Trustee does not assume, and shall not have, any responsibility or obligation for the correctness of any thereof.

(e) The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder, and the Trustee shall not be answerable for the default or misconduct of any such attorney, agent, or receiver selected by it with reasonable care. The Trustee shall not be answerable for the exercise of any discretion or power under this Trust Agreement or for anything whatever in connection with the funds and accounts established hereunder, except only for its own willful misconduct or negligence.

(f) No provision in this Trust Agreement shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability (including, without limitation, any and all environmental liability) in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not reasonably assured to it.

(g) The Trustee shall not be accountable for the use or application by the City or any other party of any funds which the Trustee has released in accordance with the terms of this Trust Agreement.

(h) The Trustee makes no representation or warranty, express or implied, as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the City of the Prior Projects. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Purchase Agreement or this Trust Agreement for the acquisition of the Prior Projects.

(i) Notwithstanding any provision in this Trust Agreement or the Purchase Agreement to the contrary, the Trustee shall not be required to take notice or be deemed to have notice of an Event of Default, except an Event of Default under Section 9(a)(i)(A) of the Purchase Agreement, unless a Responsible Officer of the Trustee has actual notice thereof or is specifically notified in writing of such default by the City or the Owner.

(j) The Trustee agrees to accept and act upon instructions or directions pursuant to this Trust Agreement sent by unsecured email, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the City elects to give the Trustee email or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The City agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without

limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(k) The Trustee shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term “force majeure” means an occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care. Force majeure shall include acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

(l) The permissive right of the Trustee to do things enumerated in this Trust Agreement shall not be construed as a duty, and the Trustee shall not be answerable for other than its negligence or willful default. The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the Prior Projects.

(m) Before taking any action under this Trust Agreement relating to an Event of Default or in connection with its duties under this Trust Agreement other than making payments of principal and interest related to the Obligation as they become due, the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, including, but not limited to, any liability arising directly or indirectly under any federal, state or local statute, rule, law or ordinance related to the protection of the environment or hazardous substances and except liability which is adjudicated, to have resulted from its gross negligence or willful default in connection with any action so taken.

(n) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owner relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Trust Agreement.

Section 7.5. Compensation of Trustee. The City shall from time to time, pursuant to a fee schedule agreed to between the City and the Trustee (which schedule may be amended in writing), pay to the Trustee reasonable compensation for its services, including but not limited to advances to, and reasonable fees and expenses of, independent appraisers, accountants, consultants, counsel, agents and attorneys-at-law or other experts employed by it in the exercise and performance of its powers and duties hereunder. When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

Section 7.6. Removal and Resignation of Trustee.

(a) The City (but only if no Event of Default has occurred and is continuing) or the Owner, at any time upon thirty (30) days' prior written notice, and for any reason, may remove the Trustee and any successor thereto, but any such successor shall be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least Fifty

Million Dollars (\$50,000,000) and subject to supervision or examination by federal or State authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or the requirements of any supervising or examining authority above referred to, then, for the purposes of this Section, the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) The Trustee may at any time resign by giving written notice to the City. Upon receiving such notice of resignation, the City shall promptly appoint a successor trustee by an instrument in writing; provided, however, that in the event that the City does not appoint a successor trustee within thirty (30) days following receipt of such notice of resignation or its giving notice of removal, the retiring Trustee may petition the appropriate court having jurisdiction to appoint a successor trustee. Any resignation or removal of the Trustee and appointment of a successor trustee shall become effective upon acceptance of appointment by the successor trustee. The Trustee and the City shall execute any documents reasonably required to effect the transfer of rights and obligations of the Trustee to the successor trustee subject, however, to the terms and conditions herein set forth, including, without limitation, the right of the predecessor Trustee to be paid and reimbursed in full for its reasonable charges and expenses (including reasonable fees and expenses of its counsel) and the indemnification under Sections 7.4 and 10.3. Upon such acceptance, the successor trustee shall mail notice thereof to the Owner.

Section 7.7. Appointment of Agent. The Trustee may appoint an agent or agents to exercise any of the powers, rights or remedies granted to the Trustee under this Trust Agreement and to hold title to property or to take any other action which may be desirable or necessary.

Section 7.8. Commingling. The Trustee may commingle any of the funds held by it pursuant to this Trust Agreement in a separate fund or funds for investment purposes only; provided, however, that all funds or accounts held by the Trustee hereunder shall be accounted for separately notwithstanding such commingling by the Trustee.

Section 7.9. Records. The Trustee shall keep complete and accurate records of all moneys received and disbursed under this Trust Agreement, which shall be available for inspection by the City, or any of its agents, at any time, upon reasonable prior notice, during regular business hours. The Trustee shall provide the City Representative with semiannual reports of funds transactions and balances.

ARTICLE VIII MODIFICATION OR AMENDMENT OF AGREEMENTS

Section 8.1. Amendments Permitted.

(a) This Trust Agreement and the rights and obligations of the Owner and the Purchase Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental or amending agreement which shall become effective when the written consent of the Owner shall have been filed with the Trustee. No such

modification or amendment shall modify any of the rights or obligations of the Trustee without its written assent thereto. Any such supplemental or amending agreement shall become effective as provided in Section 8.2.

(b) This Trust Agreement and the rights and obligations of the Owner, and the Purchase Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental or amending agreement, without the consent of the Owner, but only (1) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power herein reserved to the Trustee (for its own behalf) or the City, (2) to secure additional revenues or provide additional security or reserves for payment of the Obligation, (3) to comply with the requirements of any state or federal securities laws or the Trust Indenture Act of 1939, as from time to time amended, if required by law or regulation lawfully issued thereunder, (4) to provide for the appointment of a successor trustee pursuant to the terms hereof, (5) to preserve the exclusion of interest of the Obligation from gross income for purposes of federal or State income taxes and to preserve the power of the City to continue to issue bonds or incur other obligations the interest on which is likewise exempt from federal and State income taxes, (6) to cure, correct or supplement any ambiguous or defective provision contained herein or therein, (7) with respect to rating matters or (8) in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable and which shall not materially adversely affect the interests of the Owner as evidenced by a Special Counsel's Opinion delivered by the City to the Trustee. Any such supplemental or amending agreement shall become effective upon execution and delivery by the parties hereto or thereto as the case may be. The Trustee may rely upon a Special Counsel's Opinion as conclusive evidence that any such supplemental or amending agreement complies with this Section.

Section 8.2. Procedure for Amendment With Written Consent of Owner.

(a) This Trust Agreement and the Purchase Agreement may be amended by supplemental or amending agreement as provided in this Section in the event the consent of the Owner is required pursuant to Section 8.1. A copy of such supplemental or amending agreement, together with a request to the Owner for its consent thereto, shall be mailed by the Trustee to the Owner, but failure to mail copies of such supplemental or amending agreement and request shall not affect the validity of the supplemental or amending agreement when assented to as provided in this Section 8.2.

(b) Such supplemental or amending agreement shall not become effective unless there shall be filed with the Trustee the written consent of the Owner and a notice shall have been mailed as hereinafter in this Section provided. The consent of the Owner shall be effective only if accompanied by proof of ownership of the Obligation, which proof shall be such as is permitted by Section 2.11. Any such consent shall be binding upon the Owner and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice hereinafter in this Section provided for has been mailed.

(c) After the Owner shall have filed its consent to such supplemental or amending agreement, the Trustee shall mail a notice to the Owner in the manner hereinbefore provided in this Section for the mailing of such supplemental or amending agreement of the notice

of adoption thereof, stating in substance that such supplemental or amending agreement has been consented to by the Owner and will be effective as provided in this Section (but failure to mail copies of said notice shall not affect the validity of such supplemental agreement or consents thereto). A record, consisting of the papers required by this Section to be filed with the Trustee, shall be conclusive proof of the matters therein stated. Such supplemental or amending agreement shall become effective upon the mailing of such last-mentioned notice, and such supplemental or amending agreement shall be deemed conclusively binding upon the parties hereto and the Owner after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within sixty (60) days.

Section 8.3. Effect of Supplemental Trust Agreement. From and after the time any supplemental or amending agreement becomes effective pursuant to this Article VIII, this Trust Agreement or the Purchase Agreement, as the case may be, shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and the Owner, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any supplemental or amending agreement shall be deemed to be part of the terms and conditions of this Trust Agreement or the Purchase Agreement, as the case may be, for any and all purposes.

Section 8.4. Endorsement or Replacement of Obligations Delivered After Amendments. The Trustee may determine that any Obligation delivered after the effective date of any action taken as provided in this Article shall bear a notation, by endorsement or otherwise, in form approved by the Trustee, as to such action. In that case, upon demand of the Owner, a suitable notation shall be made on such Obligation. The Trustee may determine that the delivery of substitute Obligations, so modified as in the opinion of the Trustee is necessary to conform to the Owner's action, which substitute Obligation shall thereupon be prepared, executed and delivered. In that case, upon demand of the Owner, such substitute Obligation shall be exchanged at the Corporate Trust Office of the Trustee, without cost to the Owner, for the Obligation then outstanding, upon surrender of such outstanding Obligation.

Section 8.5. Amendatory Endorsement of Obligation. The provisions of this Article shall not prevent the Owner from accepting any amendment or supplement as to the Obligation, provided that proper notation thereof is made on the Obligation.

ARTICLE IX COVENANTS, NOTICES

Section 9.1. Compliance With and Enforcement of Purchase Agreement. The City shall perform all obligations and duties imposed on it under the Purchase Agreement and shall not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be an Event of Default. The City, immediately upon receiving or giving any notice, communication or other document in any way relating to or affecting any such action will deliver the same, or a copy thereof, to the Trustee.

Section 9.2. Observance of Laws and Regulations. The City shall well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States of America, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the City, including its right to exist and carry on business as a political subdivision, to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 9.3. Recordation and Filing. The City shall file this Trust Agreement (or a memorandum thereof or a financing statement with respect thereto), and all such documents as may be required by law (and shall take all further actions which may be necessary or be reasonably required by the Trustee), all in such manner, at such times and in such places as may be required by law in order fully to preserve, protect and perfect the security of the Trustee and the Owner.

Section 9.4. Further Assurances. The Trustee (at the reasonable request of the City) and the City shall make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Trust Agreement and the Purchase Agreement and for the better assuring and confirming unto the Owner the rights and benefits provided herein.

Section 9.5. Notification to the City of Failure to Make Payments. The Trustee shall notify the City of any failure by the City to make any Payment or other payment required under the Purchase Agreement to be made to the Trustee, in writing and within one (1) Business Day of any such failure. Such notice shall not be a prerequisite for the occurrence of an Event of Default.

Section 9.6. Business Days. Except as otherwise required herein, if this Trust Agreement or the Purchase Agreement requires any party to act on a specific day and such day is not a Business Day, such party need not perform such act until the next succeeding Business Day, and such act shall be deemed to have been performed on the day required.

ARTICLE X LIMITATION OF LIABILITY

Section 10.1. Limited Liability of the City. Except for the payment of Payments from the revenues from the Excise Taxes and the State Shared Revenues when due in accordance with the Purchase Agreement and the performance of the other covenants and agreements of the City contained in the Purchase Agreement and herein, the City shall have no pecuniary obligation or liability to any of the other parties or to the Owner with respect to this Trust Agreement or the terms, execution, delivery or transfer of the Obligation or the distribution of Payments to the Owner by the Trustee.

Section 10.2. No Liability of the City for Trustee Performance. The City shall have no obligation or liability to any of the other parties or to the Owner with respect to the performance by the Trustee of any duty imposed upon it under this Trust Agreement.

Section 10.3. Indemnification of the Trustee.

(a) To the extent permitted by law, the City shall indemnify and save the Trustee and its officers, directors, agents and employees, harmless for, from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses, arising out of: (1) the use, maintenance, condition or management of, or from any work or thing done on, the Prior Projects or any portion thereof or interest therein by the City; (2) any breach or default on the part of the City in the performance of any of its obligations under this Trust Agreement and any other agreement made and entered into for purposes of the Prior Projects or any interest therein; (3) any act of negligence of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Prior Projects; (4) any act of negligence of any assignee of, or purchaser from, the City or of any of its or their agents, contractors, servants, employees or licensees with respect to the Prior Projects; (5) the acquisition of the Prior Projects or any interest therein; (6) the actions of any other party, including but not limited to the operation or use of the Prior Projects or interest therein by the City; (7) the ownership of the Prior Projects or interest therein or (8) the exercise and performance by the Trustee of its powers and duties hereunder, under the Purchase Agreement or the Obligation or in connection with any document or transaction contemplated herewith or therewith. No indemnification will be made under this Section or elsewhere in this Trust Agreement for willful misconduct, negligence or breach of duty under this Trust Agreement by the Trustee, or by its officers, agents, employees, successors or assigns. As security for the payment of amounts due under Section 7.5 and this Section, the Trustee shall be secured under this Trust Agreement by a lien prior to that for the Obligation. The obligations of the City hereunder for indemnification under this Section shall remain valid and binding notwithstanding, and shall survive, the payment of principal related to the Obligation or resignation or removal of the Trustee or the termination of this Trust Agreement.

(b) Promptly after determining that any event or condition which requires or may require indemnification by the City hereunder exists or may exist, or after receipt of notice of the commencement of any action in respect of which indemnity may be sought hereunder, the Trustee shall notify the City in writing of such circumstances or action (the "Notification"). Failure to give such notification shall not affect the right of the Trustee to receive the indemnification provided for herewith. Upon giving of the Notification, the Trustee shall cooperate fully with the City in order that the City may defend, compromise or settle any such matters or actions which may result in payment by the City hereunder. The City shall give the Trustee notice of its election within fifteen (15) days after receiving the Notification whether the City, at its sole cost and expense, shall represent and defend the Trustee in any claim or action which may result in a request for indemnification hereunder. If the City timely gives the notice that it will represent and defend the Trustee thereafter, the Trustee shall not settle or compromise or otherwise interfere with the defense or undertakings of the City hereunder. The City shall not settle or compromise any claim or action against the Trustee without the written approval of the Trustee, except to the extent that the City shall pay all losses and the Trustee shall be fully released from such claim or action. If the City either fails to timely give its notice or notifies the Trustee

that the City will not represent and defend the Trustee, the Trustee may defend, settle, compromise or admit liability as it shall determine in the reasonable exercise of its discretion, at the expense of the City. In the event the City is required to and does indemnify the Trustee as herein provided, the rights of the City shall be subrogated to the rights of the Trustee to recover such losses or damages from any other person or entity.

Section 10.4. Opinion of Counsel. Before being required to take any action, the Trustee may require an opinion of Independent Counsel acceptable to the Trustee, which opinion shall be made available to the other parties hereto upon request or a verified certificate of any party hereto, or both, concerning the proposed action. If it does so in good faith, the Trustee shall be absolutely protected in relying thereon.

ARTICLE XI EVENTS OF DEFAULT AND REMEDIES OF OWNER

Section 11.1. Seller's Rights Held in Trust. As provided herein, the Trustee holds in trust hereunder all of the Seller's rights in and to the Purchase Agreement, including without limitation all of the Seller's rights to exercise such rights and remedies conferred on the Seller pursuant to the Purchase Agreement as may be necessary or convenient to enforce payment of the Payments and any other amounts required to be deposited in the Payment Fund and enforcement of the pledge of the revenues from the Excise Taxes and the State Shared Revenues for the payment of the Obligation.

Section 11.2. Remedies Upon Default; No Acceleration. If an Event of Default shall happen, then and in each and every such case during the continuance of such Event of Default, the Trustee may, or upon request of the Owner and receiving indemnity satisfactory to it shall, exercise one or more of the remedies granted pursuant to the Purchase Agreement; provided, however, that notwithstanding anything herein or in the Purchase Agreement to the contrary, there shall be no right under any circumstances to accelerate the payment date of the Obligation or otherwise to declare any of the Payments not then past due or in default to be immediately due and payable.

Section 11.3. Application of Funds. All moneys received by the Trustee pursuant to any right given or action taken pursuant to the provisions of this Article XI or Section 9 of the Purchase Agreement shall be applied by the Trustee in the order following:

First, to the payment of the fees, costs and expenses of the Trustee and then of the Owner in declaring such Event of Default, including reasonable compensation to the Trustee's or the Owner's agents, attorneys and counsel and

Second, to the payment of the whole amount then owing and unpaid with respect to the Obligation and, in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the Obligation, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

Section 11.4. Institution of Legal Proceedings. If one or more Events of Default shall happen and be continuing, the Trustee in its discretion may, and upon the written request of the Owner, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Owner by a suit in equity or action at law for the specific performance of any covenant or agreement contained herein.

Section 11.5. Non-waiver. Except as otherwise provided in this Article, the Owner has the right to institute suit to enforce and collect the Payments as provided in the Purchase Agreement. No delay or omission of the Trustee or of the Owner to exercise any right or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by this Article to the Trustee or the Owner may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the Owner.

Section 11.6. Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owner, it shall have full power, in the exercise of its discretion for the best interests of the Owner, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, without the consent of the Owner.

Section 11.7. Limitation on Owner's Right to Sue.

(a) The Owner shall not have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Trust Agreement, unless (1) the Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default hereunder; (2) the Owner shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (3) the Owner shall have tendered to the Trustee indemnity satisfactory to it against the costs, expenses, and liabilities to be incurred in compliance with such request and (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

(b) Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by the Owner of any remedy hereunder; it being understood and intended that the Owner shall not have any right in any manner whatever by its action to enforce any right under this Trust Agreement, except in the manner herein provided, and that all proceedings at law or in equity with respect to an Event of Default shall be instituted, had and maintained in the manner herein provided and for the benefit of the Owner.

(c) The right of the Owner to receive payment of said Owner's proportionate interest in the Payments as the same become due, or to institute suit for the enforcement of such payment, shall not be impaired or affected without the consent of such Owner,

notwithstanding the foregoing provisions of this Section or any other provision of this Trust Agreement.

ARTICLE XII MISCELLANEOUS

Section 12.1. Defeasance.

(a) If and when any portion of the Obligation shall be paid and discharged in any one or more of the following ways:

(1) By paying or causing to be paid the principal and interest related to the Obligation, as and when the same become due and payable;

(2) By depositing with a Depository Trustee, in trust for such purpose, at or before the payment date therefor, money which, together with the amounts then on deposit in the Payment Fund is fully sufficient to pay or cause to be paid all principal and interest related to the Obligation due on the Obligation; or

(3) By depositing with a Depository Trustee, in trust for such purpose, Defeasance Obligations which are noncallable in such amount as shall be certified to the Trustee by a verification report of an independent nationally recognized certified public accountant or firm of such accountants acceptable to the Trustee, as being fully sufficient, together with the interest to accrue thereon and moneys then on deposit in the Payment Fund together with the interest to accrue thereon, to pay and discharge or cause to be paid and discharged all principal and interest of the Obligation at the payment or prepayment dates, which deposit may be made in accordance with the provisions of Section 7 of the Purchase Agreement.

(b) Any funds held by the Trustee, at the time of one of the events described in paragraph (a) of this Section, which are not required for the payment to be made to the Owner or for the payment of any other amounts due and payable by the City hereunder or under the Purchase Agreement, shall be paid over to the City.

(c) The Obligation may be paid and discharged as provided in this Section; provided however, that if principal related to the Obligation is to be optionally prepaid, notice of such prepayment shall have been given in accordance with the provisions hereof or the City shall have submitted to the Trustee instructions to be irrevocable as to the date upon which the Obligation is to be prepaid and as to the giving of notice of such prepayment; and provided further, that if the Obligation will not be payable within sixty (60) days of the deposit referred to in subsections (a)(2) or (3) of this Section, the Trustee shall give notice of such deposit by first class mail to the Owner.

(d) No Obligation may be provided for as described in this Section if, as a result thereof, or of any other action in connection with which the provisions for payment of such Obligation is made, the interest payable on any Obligation is thereby made includable in gross income for federal income tax purposes. The Trustee, the Depository Trustee, and the City may

rely upon a Special Counsel’s Opinion to the effect that the provisions of this Subsection will not be breached by so providing for the payment of any Obligation.

Section 12.2. Notices. All written notices to be given under this Trust Agreement shall be given by overnight delivery or courier or by mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective upon deposit in the United States of America mail, postage prepaid or, in the case of personal delivery, upon delivery to the address set forth below:

If to the City: City of Safford, Arizona
 717 West Main Street
 Safford, Arizona 85548
 Attention: Town Manager

If to the Trustee: _____

 Attention: Corporate Trust Department

Section 12.3. Incorporation of State Statutes.

(a) As required by the provisions of Section 38-511, Arizona Revised Statutes, notice is hereby given that the City may, within three years after its execution, cancel any contract, without penalty or further obligation, made by the City if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the City is, at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract. The cancellation shall be effective when written notice is received by all other parties to the contract unless the notice specifies a later time. The Trustee covenants not to employ as an employee, an agent or, with respect to the subject matter of this Trust Agreement, a consultant, any person significantly involved in initiating, negotiating, securing, drafting or creating this Trust Agreement on behalf of the City within three years from the execution of this Trust Agreement, unless a waiver of Section 38-511, Arizona Revised Statutes, is provided by the City. No basis exists for the City to cancel this Trust Agreement pursuant to Section 38-511, Arizona Revised Statutes, as of the date hereof.

(b) To the extent applicable under Section 41-440, Arizona Revised Statutes, the Trustee shall comply with all federal immigration laws and regulations that relate to its employees and its compliance with the “e-verify” requirements under Section 23-214(A), Arizona Revised Statutes. The breach by the Trustee of the foregoing shall be deemed a material breach of this Trust Agreement and may result in the termination of the services of the Trustee. The City retains the legal right to randomly inspect the papers and records of the Trustee to ensure that the Trustee is complying with the above-mentioned warranty. The Trustee shall keep such papers and records open for random inspection during normal business hours by the Trustee. The Trustee shall cooperate with the random inspections by the City including granting the City entry

rights onto its property to perform such random inspections and waiving its respective rights to keep such papers and records confidential.

Section 12.4. Governing Law. This Trust Agreement shall be construed and governed in accordance with the laws of the State.

Section 12.5. Binding Effect and Successors. This Trust Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. Whenever in this Trust Agreement either the City or the Trustee is named or referred to, such reference shall be deemed to include successors or assigns thereof, and all the covenants and agreements in this Trust Agreement contained by or on behalf of the City or the Trustee shall bind and inure to the benefit of their respective successors and assigns thereof whether so expressed or not.

Section 12.6. Execution in Counterparts. This Trust Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same Trust Agreement.

Section 12.7. Destruction of Cancelled Obligations. Whenever in this Trust Agreement provision is made for the surrender to or cancellation by the Trustee and the delivery to the City of the Obligation, the Trustee may destroy the Obligation and, upon the City's request, deliver a certificate of such destruction to the City instead.

Section 12.8. Headings. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Trust Agreement. All references herein to "Articles," "Sections," and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Trust Agreement; and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Trust Agreement as a whole and not to any particular Article, Section or subdivision hereof.

Section 12.9. Parties Interested Herein. Nothing in this Trust Agreement or the Obligation, expressed or implied, is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the City, the Trustee and the Owner, any legal or equitable right, remedy or claim under or by reason of this Trust Agreement or any covenant, condition or stipulation hereof, and all covenants, stipulations, provisions and agreements in this Trust Agreement contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Trustee and the Owner.

Section 12.10. Waiver of Notice. Whenever in this Trust Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 12.11. Severability of Invalid Provisions. In case any one or more of the provisions contained in this Trust Agreement or in the Obligation shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or

unenforceability shall not affect any other provision of this Trust Agreement, and this Trust Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The parties hereto hereby declare that they would have entered into this Trust Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the delivery of the Obligation pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Trust Agreement may be held illegal, invalid or unenforceable.

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

_____, as Trustee

By.....

Printed Name:

Title:.....

CITY OF SAFFORD, ARIZONA

By.....

Mayor

ATTEST:

.....
Town Clerk

EXHIBIT

(Form of Obligation)

Number: R-.....

Principal Amount: \$.....

CITY OF SAFFORD, ARIZONA
EXCISE TAX REVENUE REFUNDING
OBLIGATION (TAX-EXEMPT), SERIES 2015

Interest Rate: Payment Date: Dated Date:
.....% July 1, 20..... _____, 2015

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

THIS IS TO CERTIFY THAT the registered owner identified above, or registered assigns, as the registered owner of this Excise Tax Revenue Refunding Obligation, Series 2015 (this "Obligation") is the owner of all of the interests in the right to receive certain "Payments" under and defined in that certain First Excise Tax Purchase Agreement (Tax-Exempt), dated as of _____ 1, 2015 (the "Purchase Agreement"), by and between (the "Trustee"), and the City of Safford, Arizona, a municipal corporation under the laws of the State of Arizona (the "Town"), which Payments and other rights and interests under the Purchase Agreement are held by the Trustee in trust under that certain First Excise Tax Trust Agreement (Tax-Exempt), dated as of _____ 1, 2015 (the "Trust Agreement"), by and between the City and the Trustee. The Trustee maintains a corporate trust office for transfer of this Obligation (the "Designated Office").

The registered owner of this Obligation is entitled to receive, subject to the terms of the Purchase Agreement, on the payment date set forth above, the principal amount set forth above, representing a portion of the payments due designated as principal coming due, and to receive semiannually on January 1 and July 1 of each year commencing _____ 1, 20__ (the "Interest Payment Dates"), until payment in full of said portion of principal or prepayment prior thereto, the registered owner's proportionate share of the portion of the Payments designated as interest coming due during the period commencing on the last date on which interest was paid and ending on the day prior to the Interest Payment Date or, if no interest has been paid, from the Dated Date specified above. Said interest is the result of the multiplication of said principal by the interest rate per annum set forth above. Interest shall be calculated on the basis of a 360-day year composed of twelve (12) months of thirty (30) days each.

Principal and interest related to this Obligation and the other amounts due with respect hereto are payable in lawful money of the United States of America by wire transfer in immediately available funds, except that the final payment of principal and interest, when due, will be paid upon surrender of this Obligation at the Designated Office.

The Trustee has no obligation or liability to the registered owner of this Obligation for the payment of interest or principal related to this Obligation. The Trustee's sole obligations are to administer, for the benefit of the registered owner of this Obligation, the various funds and accounts established pursuant to the Trust Agreement. (The recitals, statements, covenants and representations made in this Obligation shall be taken and construed as made by and on the part of the City, and not by the Trustee, and the Trustee does not assume, and shall not have, any responsibility or obligation for the correctness of any thereof.)

This Obligation has been executed and delivered by the Trustee pursuant to the terms of, and for the purposes described in, the Trust Agreement. The City is authorized to enter into the Purchase Agreement and the Trust Agreement under the laws of the State of Arizona and by resolution of the Mayor and Council of the City adopted January 12, 2015. Reference is hereby made to the Purchase Agreement and the Trust Agreement (copies of which are on file at the Designated Office) for further definitions, the terms, covenants and provisions pursuant to which this Obligation is delivered, the rights thereunder of the registered owner of this Obligation, the terms under which the Trust Agreement or the Purchase Agreement may be modified or supplemented, the rights, duties and immunities of the Trustee and the security for, and the rights and obligations of the City under the Purchase Agreement (including with respect to certain obligations secured on a prior lien basis, and to be secured on a parity lien basis, with the security for the Payments and to certain limitations on such security), to all of the provisions of which Purchase Agreement and Trust Agreement the registered owner of this Obligation, by acceptance hereof, assents and agrees. (To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement and the Purchase Agreement may be amended by the parties thereto with the written consent of the owner the Obligation, and may be amended without such consent under certain circumstances but in no event such that the interest of the owner of the Obligation is adversely affected, provided that no such amendment shall impair the right of the owner to receive in any case the owner's proportionate share of any Payment thereof in accordance with this Obligation.)

The obligation of the City to make the Payments does not represent or constitute a general obligation of the City for which the City is obligated to levy or pledge any form of taxation nor does the obligation to make the Payments under the Purchase Agreement constitute an indebtedness of the City, the State of Arizona or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction or otherwise.

Neither the Trustee nor the registered owner of this Obligation shall have any right under any circumstances to accelerate the payment date of this Obligation or otherwise declare any of the Payments not then past due or in default to be immediately due and payable. (This Obligation represents an interest in a limited obligation of the City (as described herein), and no member of the Mayor and Council, officer or agent, as such, past, present or future, of the City shall be personally liable for the payment hereof.)

This Obligation is executed and delivered only in fully registered form and shall not be transferable or exchangeable, except as provided in the Trust Agreement.

The Trustee may require a registered owner, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes or governmental charges required by law in connection with the exchange or transfer.

The registered owner of this Obligation shall have no right to enforce the provisions of the Trust Agreement or the Purchase Agreement or to institute any action to enforce the covenants thereof, or to take any action with respect to a default thereunder or hereunder, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Trust Agreement.

Principal of this Obligation is subject to prepayment in whole on any date, at a price equal to the principal amount to be prepaid, together with accrued interest to the date fixed for prepayment without a premium.

The Trustee shall give notice of any prepayment of this Obligation as provided above no more than 60 nor less than 30 calendar days prior to the prepayment date to the registered owner at its address shown on the registration books maintained by the Trustee. A certificate of the Trustee shall conclusively establish the mailing of any such notice for all purposes.

If at the time of mailing of the notice of prepayment there has not been deposited with the Trustee moneys or eligible securities sufficient to prepay and other requirements set forth in the Trust Agreement are not met, such notice shall state that it is conditional, subject to the deposit of moneys sufficient for the prepayment and satisfaction of such conditions. If the principal of the Obligation is subject to prepayment and if on the prepayment date moneys for the prepayment thereof are held by the Trustee and those other conditions are met, thereafter such principal to be prepaid shall cease to bear interest, and shall cease to be secured by, and shall not be deemed to be outstanding under, the Trust Agreement.

This Obligation shall not be entitled to any security or benefit under the Trust Agreement until executed by the Trustee.

IN WITNESS WHEREOF, this Obligation has been executed and delivered by the Trustee, acting pursuant to the Trust Agreement.

Date of Execution:

....., as Trustee

By.....
Authorized Representative

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned (the "Transferor"), hereby sells, assigns and transfers unto (the "Transferee"), whose address is and whose social security number (or other federal tax identification number) is

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF TRANSFEREE

.....
.....

the within certificate and all rights thereunder, and hereby irrevocably constitutes and appoints as attorney to register the transfer of the within certificate on the books kept for registration and registration of transfer thereof, with full power of substitution in the premises.

Date:

.....
NOTICE: No transfer will be registered and no new certificate will be issued in the name of the Transferee, unless that signature(s) to this assignment correspond(s) with the name as it appears on the face of the within certificate in every particular, without alteration or enlargement or any change whatever and name, address and the Social Security Number or federal employee identification number of the Transferee is supplied.

The following abbreviations when used in the inscription on the face of the within certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

- TEN COM - as tenants in common
- TEN ENT - as tenants by the entireties
- JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT/TRANS MIN ACT - Custodian for
(Cust.) (Minor)

under Uniform Gifts/Transfers to Minors Act of
(State)

Additional abbreviations may also be used though not in list above.

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Preliminary Scale-Scenario 1
Advanced Refunding of Series 2006A

Assumes Delivery in January

Based upon rates plus a spread that is consistent with similar credits based on size, credit quality and amortization. Analysis based on level savings.
There is no guarantee that such rates can be achieved

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SOURCES AND USES OF FUNDS

City of Safford, Arizona
Excise Tax Revenue Refunding Obligation, Tax-Exempt Series 2015A
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Advanced Refunding of Series 2006A
Assumes Delivery in January

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There is no guarantee that such rates can be achieved

Dated Date 01/21/2015

Delivery Date 01/21/2015

Sources:

Bond Proceeds:	
Par Amount	5,765,000.00
<hr/>	
	5,765,000.00
<hr/> <hr/>	

Uses:

Refunding Escrow Deposits:	
Cash Deposit	0.88
SLGS Purchases	5,682,111.00
	<hr/>
	5,682,111.88
Delivery Date Expenses:	
Cost of Issuance	82,888.12
<hr/>	
	5,765,000.00
<hr/> <hr/>	

BOND PRICING

City of Safford, Arizona
Excise Tax Revenue Refunding Obligation, Tax-Exempt Series 2015A
Preliminary Scale-Scenario 1
Advanced Refunding of Series 2006A
Assumes Delivery in January

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and amortization. Analysis based on level savings.
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Bond Component	Maturity Date	Amount	Rate	Yield	Price
Bond Component:					
	07/01/2015	70,000	2.250%	2.250%	100.000
	07/01/2016	80,000	2.250%	2.250%	100.000
	07/01/2017	80,000	2.250%	2.250%	100.000
	07/01/2018	610,000	2.250%	2.250%	100.000
	07/01/2019	635,000	2.250%	2.250%	100.000
	07/01/2020	655,000	2.250%	2.250%	100.000
	07/01/2021	680,000	2.250%	2.250%	100.000
	07/01/2022	705,000	2.250%	2.250%	100.000
	07/01/2023	725,000	2.250%	2.250%	100.000
	07/01/2024	750,000	2.250%	2.250%	100.000
	07/01/2025	775,000	2.250%	2.250%	100.000
		5,765,000			

Dated Date	01/21/2015	
Delivery Date	01/21/2015	
First Coupon	07/01/2015	
Par Amount	5,765,000.00	
Original Issue Discount		
Production	5,765,000.00	100.000000%
Underwriter's Discount		
Purchase Price	5,765,000.00	100.000000%
Accrued Interest		
Net Proceeds	5,765,000.00	

BOND DEBT SERVICE

City of Safford, Arizona
Excise Tax Revenue Refunding Obligation, Tax-Exempt Series 2015A
Preliminary Scale-Scenario 1
Advanced Refunding of Series 2006A
Assumes Delivery in January

Based upon rates plus a spread that is consistent with similar credits based on size, credit quality
and amortization. Analysis based on level savings.
There is no guarantee that such rates can be achieved

Dated Date 01/21/2015

Delivery Date 01/21/2015

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
01/21/2015					
07/01/2015	70,000	2.250%	57,650.00	127,650.00	127,650.00
01/01/2016			64,068.75	64,068.75	
07/01/2016	80,000	2.250%	64,068.75	144,068.75	208,137.50
01/01/2017			63,168.75	63,168.75	
07/01/2017	80,000	2.250%	63,168.75	143,168.75	206,337.50
01/01/2018			62,268.75	62,268.75	
07/01/2018	610,000	2.250%	62,268.75	672,268.75	734,537.50
01/01/2019			55,406.25	55,406.25	
07/01/2019	635,000	2.250%	55,406.25	690,406.25	745,812.50
01/01/2020			48,262.50	48,262.50	
07/01/2020	655,000	2.250%	48,262.50	703,262.50	751,525.00
01/01/2021			40,893.75	40,893.75	
07/01/2021	680,000	2.250%	40,893.75	720,893.75	761,787.50
01/01/2022			33,243.75	33,243.75	
07/01/2022	705,000	2.250%	33,243.75	738,243.75	771,487.50
01/01/2023			25,312.50	25,312.50	
07/01/2023	725,000	2.250%	25,312.50	750,312.50	775,625.00
01/01/2024			17,156.25	17,156.25	
07/01/2024	750,000	2.250%	17,156.25	767,156.25	784,312.50
01/01/2025			8,718.75	8,718.75	
07/01/2025	775,000	2.250%	8,718.75	783,718.75	792,437.50
	5,765,000		894,650.00	6,659,650.00	6,659,650.00

SAVINGS

City of Safford, Arizona
Excise Tax Revenue Refunding Obligation, Tax-Exempt Series 2015A
Preliminary Scale-Scenario 1
Advanced Refunding of Series 2006A
Assumes Delivery in January

Based upon rates plus a spread that is consistent with similar credits based on size, credit quality
and amortization. Analysis based on level savings.
There is no guarantee that such rates can be achieved

Date	Prior Debt Service	Refunding Debt Service	Savings	Present Value to 01/21/2015 @ 2.2500979%
07/01/2015	132,750.00	127,650.00	5,100.00	5,049.53
07/01/2016	265,500.00	208,137.50	57,362.50	56,286.31
07/01/2017	265,500.00	206,337.50	59,162.50	56,754.65
07/01/2018	795,500.00	734,537.50	60,962.50	57,174.70
07/01/2019	804,000.00	745,812.50	58,187.50	53,332.23
07/01/2020	810,750.00	751,525.00	59,225.00	53,001.13
07/01/2021	820,750.00	761,787.50	58,962.50	51,526.80
07/01/2022	828,750.00	771,487.50	57,262.50	48,867.99
07/01/2023	834,750.00	775,625.00	59,125.00	49,244.07
07/01/2024	843,750.00	784,312.50	59,437.50	48,317.77
07/01/2025	850,500.00	792,437.50	58,062.50	46,065.02
	7,252,500.00	6,659,650.00	592,850.00	525,620.20

Savings Summary

PV of savings from cash flow	525,620.20
Net PV Savings	525,620.20

SUMMARY OF REFUNDING RESULTS

City of Safford, Arizona
Excise Tax Revenue Refunding Obligation, Tax-Exempt Series 2015A
Preliminary Scale-Scenario 1
Advanced Refunding of Series 2006A
Assumes Delivery in January

Based upon rates plus a spread that is consistent with similar credits based on size, credit quality
and amortization. Analysis based on level savings.
There is no guarantee that such rates can be achieved

Dated Date	01/21/2015
Delivery Date	01/21/2015
Arbitrage yield	2.250098%
Escrow yield	0.325875%
Value of Negative Arbitrage	151,048.41
Bond Par Amount	5,765,000.00
True Interest Cost	2.250098%
Net Interest Cost	2.250000%
Average Coupon	2.250000%
Average Life	6.897
Par amount of refunded bonds	5,310,000.00
Average coupon of refunded bonds	5.000000%
Average life of refunded bonds	7.261
PV of prior debt to 01/21/2015 @ 2.250098%	6,290,620.20
Net PV Savings	525,620.20
Percentage savings of refunded bonds	9.898685%
Percentage savings of refunding bonds	9.117436%

SUMMARY OF BONDS REFUNDED

City of Safford, Arizona
 Excise Tax Revenue Refunding Obligation, Tax-Exempt Series 2015A
 Preliminary Scale-Scenario 1
 Advanced Refunding of Series 2006A
 Assumes Delivery in January

Based upon rates plus a spread that is consistent with similar credits based on size, credit quality
 and amortization. Analysis based on level savings.
 There is no guarantee that such rates can be achieved

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Greater Arizona Development Authority 2006A Loan:					
BOND	07/01/2018	5.000%	530,000.00	07/01/2016	100.000
	07/01/2019	5.000%	565,000.00	07/01/2016	100.000
	07/01/2020	5.000%	600,000.00	07/01/2016	100.000
	07/01/2021	5.000%	640,000.00	07/01/2016	100.000
	07/01/2022	5.000%	680,000.00	07/01/2016	100.000
	07/01/2023	5.000%	720,000.00	07/01/2016	100.000
	07/01/2024	5.000%	765,000.00	07/01/2016	100.000
	07/01/2025	5.000%	810,000.00	07/01/2016	100.000
			5,310,000.00		

BOND SUMMARY STATISTICS

City of Safford, Arizona
Excise Tax Revenue Refunding Obligation, Tax-Exempt Series 2015A
Preliminary Scale-Scenario 1
Advanced Refunding of Series 2006A
Assumes Delivery in January

Based upon rates plus a spread that is consistent with similar credits based on size, credit quality and amortization. Analysis based on level savings.

There is no guarantee that such rates can be achieved

Dated Date	01/21/2015
Delivery Date	01/21/2015
First Coupon	07/01/2015
Last Maturity	07/01/2025
Arbitrage Yield	2.250098%
True Interest Cost (TIC)	2.250098%
Net Interest Cost (NIC)	2.250000%
All-In TIC	2.480575%
Average Coupon	2.250000%
Average Life (years)	6.897
Duration of Issue (years)	6.366
Par Amount	5,765,000.00
Bond Proceeds	5,765,000.00
Total Interest	894,650.00
Net Interest	894,650.00
Total Debt Service	6,659,650.00
Maximum Annual Debt Service	792,437.50
Average Annual Debt Service	637,626.06
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	
Total Underwriter's Discount	
Bid Price	100.000000

Bond Component	Par Value	Price	Average Coupon	Average Life	Duration	PV of 1 bp change
Bond Component	5,765,000.00	100.000	2.250%	6.897	6.366	3,639.15
	5,765,000.00			6.897		3,639.15

	TIC	All-In TIC	Arbitrage Yield
Par Value	5,765,000.00	5,765,000.00	5,765,000.00
+ Accrued Interest			
+ Premium (Discount)			
- Underwriter's Discount			
- Cost of Issuance Expense		(82,888.12)	
- Other Amounts			
Target Value	5,765,000.00	5,682,111.88	5,765,000.00
Target Date	01/21/2015	01/21/2015	01/21/2015
Yield	2.250098%	2.480575%	2.250098%

PRIOR BOND DEBT SERVICE

City of Safford, Arizona
Excise Tax Revenue Refunding Obligation, Tax-Exempt Series 2015A
Preliminary Scale-Scenario 1
Advanced Refunding of Series 2006A
Assumes Delivery in January

Based upon rates plus a spread that is consistent with similar credits based on size, credit quality
and amortization. Analysis based on level savings.
There is no guarantee that such rates can be achieved

Dated Date 01/21/2015
Delivery Date 01/21/2015

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
01/21/2015					
07/01/2015			132,750	132,750	132,750
01/01/2016			132,750	132,750	
07/01/2016			132,750	132,750	265,500
01/01/2017			132,750	132,750	
07/01/2017			132,750	132,750	265,500
01/01/2018			132,750	132,750	
07/01/2018	530,000	5.000%	132,750	662,750	795,500
01/01/2019			119,500	119,500	
07/01/2019	565,000	5.000%	119,500	684,500	804,000
01/01/2020			105,375	105,375	
07/01/2020	600,000	5.000%	105,375	705,375	810,750
01/01/2021			90,375	90,375	
07/01/2021	640,000	5.000%	90,375	730,375	820,750
01/01/2022			74,375	74,375	
07/01/2022	680,000	5.000%	74,375	754,375	828,750
01/01/2023			57,375	57,375	
07/01/2023	720,000	5.000%	57,375	777,375	834,750
01/01/2024			39,375	39,375	
07/01/2024	765,000	5.000%	39,375	804,375	843,750
01/01/2025			20,250	20,250	
07/01/2025	810,000	5.000%	20,250	830,250	850,500
	5,310,000		1,942,500	7,252,500	7,252,500

ESCROW DESCRIPTIONS

City of Safford, Arizona
 Excise Tax Revenue Refunding Obligation, Tax-Exempt Series 2015A
 Preliminary Scale-Scenario 1
 Advanced Refunding of Series 2006A
 Assumes Delivery in January

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 There is no guarantee that such rates can be achieved

Type of Security	Type of SLGS	Maturity Date	First Int Pmt Date	Par Amount	Rate	Max Rate
Jan 21, 2015:						
SLGS	Certificate	07/01/2015	07/01/2015	124,742	0.060%	0.060%
SLGS	Certificate	01/01/2016	01/01/2016	123,585	0.170%	0.170%
SLGS	Note	07/01/2016	07/01/2015	5,433,784	0.330%	0.330%
				5,682,111		

SLGS Summary

SLGS Rates File	12DEC14
Total Certificates of Indebtedness	248,327.00
Total Notes	5,433,784.00
Total original SLGS	5,682,111.00

ESCROW CASH FLOW

City of Safford, Arizona
Excise Tax Revenue Refunding Obligation, Tax-Exempt Series 2015A
Preliminary Scale-Scenario 1
Advanced Refunding of Series 2006A
Assumes Delivery in January

Based upon rates plus a spread that is consistent with similar credits based on size, credit quality
and amortization. Analysis based on level savings.
There is no guarantee that such rates can be achieved

Date	Principal	Interest	Net Escrow Receipts	Present Value to 01/21/2015 @ 0.3258753%
07/01/2015	124,742.00	8,008.06	132,750.06	132,558.09
01/01/2016	123,585.00	9,164.32	132,749.32	132,341.72
07/01/2016	5,433,784.00	8,965.74	5,442,749.74	5,417,211.20
	5,682,111.00	26,138.12	5,708,249.12	5,682,111.00

Escrow Cost Summary

Purchase date	01/21/2015
Purchase cost of securities	5,682,111.00
	<hr/>
Target for yield calculation	5,682,111.00

ESCROW SUFFICIENCY

City of Safford, Arizona
Excise Tax Revenue Refunding Obligation, Tax-Exempt Series 2015A
Preliminary Scale-Scenario 1
Advanced Refunding of Series 2006A
Assumes Delivery in January

Based upon rates plus a spread that is consistent with similar credits based on size, credit quality
and amortization. Analysis based on level savings.
There is no guarantee that such rates can be achieved

Date	Escrow Requirement	Net Escrow Receipts	Excess Receipts	Excess Balance
01/21/2015		0.88	0.88	0.88
07/01/2015	132,750.00	132,750.06	0.06	0.94
01/01/2016	132,750.00	132,749.32	(0.68)	0.26
07/01/2016	5,442,750.00	5,442,749.74	(0.26)	
	5,708,250.00	5,708,250.00	0.00	

ESCROW STATISTICS

City of Safford, Arizona
 Excise Tax Revenue Refunding Obligation, Tax-Exempt Series 2015A
 Preliminary Scale-Scenario 1
 Advanced Refunding of Series 2006A
 Assumes Delivery in January

Based upon rates plus a spread that is consistent with similar credits based on size, credit quality and amortization. Analysis based on level savings.
 There is no guarantee that such rates can be achieved

Total Escrow Cost	Modified Duration (years)	Yield to Receipt Date	Yield to Disbursement Date	Perfect Escrow Cost	Value of Negative Arbitrage	Cost of Dead Time
5,682,111.88	1.407	0.325875%	0.325875%	5,531,063.45	151,048.41	0.02
5,682,111.88				5,531,063.45	151,048.41	0.02

Delivery date	01/21/2015
Arbitrage yield	2.250098%
Composite Modified Duration	1.407

UNREFUNDED BOND DEBT SERVICE

City of Safford, Arizona
 Excise Tax Revenue Refunding Obligation, Tax-Exempt Series 2015A
 Preliminary Scale-Scenario 1
 Advanced Refunding of Series 2006A
 Assumes Delivery in January

Based upon rates plus a spread that is consistent with similar credits based on size, credit quality
 and amortization. Analysis based on level savings.
 There is no guarantee that such rates can be achieved

Dated Date 01/21/2015
 Delivery Date 01/21/2015

Period Ending	Principal	Coupon	Interest	Debt Service
07/01/2015	440,000	4.250%	33,350	473,350
07/01/2016	465,000	5.000%	48,000	513,000
07/01/2017	495,000	5.000%	24,750	519,750
	1,400,000		106,100	1,506,100

TABLE OF CONTENTS

City of Safford, Arizona
Excise Tax Revenue Refunding Obligation, Tax-Exempt Series 2015A

Preliminary Scale-Scenario 2

Advanced Refunding of Series 2006A

Assumes Delivery in January

Based upon rates plus a spread that is consistent with similar credits based on size, credit quality and amortization. Analysis based on level savings.

There is no guarantee that such rates can be achieved

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SOURCES AND USES OF FUNDS

City of Safford, Arizona
 Excise Tax Revenue Refunding Obligation, Tax-Exempt Series 2015A
 Preliminary Scale-Scenario 2
 Advanced Refunding of Series 2006A
 Assumes Delivery in January

Based upon rates plus a spread that is consistent with similar credits based on size, credit quality
 and amortization. Analysis based on level savings.
 There is no guarantee that such rates can be achieved

Dated Date 01/21/2015

Delivery Date 01/21/2015

Sources:

Bond Proceeds:

Par Amount	5,770,000.00
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5,770,000.00

Uses:

Refunding Escrow Deposits:

Cash Deposit	0.16
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SLGS Purchases	5,681,323.00
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5,681,323.16

Delivery Date Expenses:

Cost of Issuance	88,676.84
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5,770,000.00

BOND PRICING

City of Safford, Arizona
Excise Tax Revenue Refunding Obligation, Tax-Exempt Series 2015A
Preliminary Scale-Scenario 2
Advanced Refunding of Series 2006A
Assumes Delivery in January

Based upon rates plus a spread that is consistent with similar credits based on size, credit quality
and amortization. Analysis based on level savings.
There is no guarantee that such rates can be achieved

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Bond Component:					
	07/01/2015	55,000	2.750%	2.750%	100.000
	07/01/2016	55,000	2.750%	2.750%	100.000
	07/01/2017	55,000	2.750%	2.750%	100.000
	07/01/2018	495,000	2.750%	2.750%	100.000
	07/01/2019	400,000	2.750%	2.750%	100.000
	07/01/2020	415,000	2.750%	2.750%	100.000
	07/01/2021	425,000	2.750%	2.750%	100.000
	07/01/2022	440,000	2.750%	2.750%	100.000
	07/01/2023	450,000	2.750%	2.750%	100.000
	07/01/2024	465,000	2.750%	2.750%	100.000
	07/01/2025	475,000	2.750%	2.750%	100.000
	07/01/2026	490,000	2.750%	2.750%	100.000
	07/01/2027	500,000	2.750%	2.750%	100.000
	07/01/2028	515,000	2.750%	2.750%	100.000
	07/01/2029	535,000	2.750%	2.750%	100.000
		5,770,000			

Dated Date	01/21/2015	
Delivery Date	01/21/2015	
First Coupon	07/01/2015	
Par Amount	5,770,000.00	
Original Issue Discount		
Production	5,770,000.00	100.000000%
Underwriter's Discount		
Purchase Price	5,770,000.00	100.000000%
Accrued Interest		
Net Proceeds	5,770,000.00	

BOND DEBT SERVICE

City of Safford, Arizona
Excise Tax Revenue Refunding Obligation, Tax-Exempt Series 2015A
Preliminary Scale-Scenario 2
Advanced Refunding of Series 2006A
Assumes Delivery in January

Based upon rates plus a spread that is consistent with similar credits based on size, credit quality
and amortization. Analysis based on level savings.
There is no guarantee that such rates can be achieved

Dated Date 01/21/2015
Delivery Date 01/21/2015

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
01/21/2015					
07/01/2015	55,000	2.750%	70,522.22	125,522.22	125,522.22
01/01/2016			78,581.25	78,581.25	
07/01/2016	55,000	2.750%	78,581.25	133,581.25	212,162.50
01/01/2017			77,825.00	77,825.00	
07/01/2017	55,000	2.750%	77,825.00	132,825.00	210,650.00
01/01/2018			77,068.75	77,068.75	
07/01/2018	495,000	2.750%	77,068.75	572,068.75	649,137.50
01/01/2019			70,262.50	70,262.50	
07/01/2019	400,000	2.750%	70,262.50	470,262.50	540,525.00
01/01/2020			64,762.50	64,762.50	
07/01/2020	415,000	2.750%	64,762.50	479,762.50	544,525.00
01/01/2021			59,056.25	59,056.25	
07/01/2021	425,000	2.750%	59,056.25	484,056.25	543,112.50
01/01/2022			53,212.50	53,212.50	
07/01/2022	440,000	2.750%	53,212.50	493,212.50	546,425.00
01/01/2023			47,162.50	47,162.50	
07/01/2023	450,000	2.750%	47,162.50	497,162.50	544,325.00
01/01/2024			40,975.00	40,975.00	
07/01/2024	465,000	2.750%	40,975.00	505,975.00	546,950.00
01/01/2025			34,581.25	34,581.25	
07/01/2025	475,000	2.750%	34,581.25	509,581.25	544,162.50
01/01/2026			28,050.00	28,050.00	
07/01/2026	490,000	2.750%	28,050.00	518,050.00	546,100.00
01/01/2027			21,312.50	21,312.50	
07/01/2027	500,000	2.750%	21,312.50	521,312.50	542,625.00
01/01/2028			14,437.50	14,437.50	
07/01/2028	515,000	2.750%	14,437.50	529,437.50	543,875.00
01/01/2029			7,356.25	7,356.25	
07/01/2029	535,000	2.750%	7,356.25	542,356.25	549,712.50
	5,770,000		1,419,809.72	7,189,809.72	7,189,809.72

SAVINGS

City of Safford, Arizona
Excise Tax Revenue Refunding Obligation, Tax-Exempt Series 2015A
Preliminary Scale-Scenario 2
Advanced Refunding of Series 2006A
Assumes Delivery in January

Based upon rates plus a spread that is consistent with similar credits based on size, credit quality
and amortization. Analysis based on level savings.
There is no guarantee that such rates can be achieved

Date	Prior Debt Service	Refunding Debt Service	Savings	Present Value to 01/21/2015 @ 2.7501186%
07/01/2015	132,750.00	125,522.22	7,227.78	7,140.57
07/01/2016	265,500.00	212,162.50	53,337.50	51,990.17
07/01/2017	265,500.00	210,650.00	54,850.00	52,013.88
07/01/2018	795,500.00	649,137.50	146,362.50	133,917.38
07/01/2019	804,000.00	540,525.00	263,475.00	233,955.31
07/01/2020	810,750.00	544,525.00	266,225.00	229,919.37
07/01/2021	820,750.00	543,112.50	277,637.50	233,187.73
07/01/2022	828,750.00	546,425.00	282,325.00	230,615.73
07/01/2023	834,750.00	544,325.00	290,425.00	230,713.97
07/01/2024	843,750.00	546,950.00	296,800.00	229,297.55
07/01/2025	850,500.00	544,162.50	306,337.50	230,158.05
07/01/2026		546,100.00	(546,100.00)	(399,780.89)
07/01/2027		542,625.00	(542,625.00)	(386,469.54)
07/01/2028		543,875.00	(543,875.00)	(376,856.78)
07/01/2029		549,712.50	(549,712.50)	(370,571.50)
	7,252,500.00	7,189,809.72	62,690.28	329,230.98

Savings Summary

PV of savings from cash flow	329,230.98
Net PV Savings	329,230.98

SUMMARY OF REFUNDING RESULTS

City of Safford, Arizona
Excise Tax Revenue Refunding Obligation, Tax-Exempt Series 2015A
Preliminary Scale-Scenario 2
Advanced Refunding of Series 2006A
Assumes Delivery in January

Based upon rates plus a spread that is consistent with similar credits based on size, credit quality
and amortization. Analysis based on level savings.
There is no guarantee that such rates can be achieved

Dated Date	01/21/2015
Delivery Date	01/21/2015
Arbitrage yield	2.750119%
Escrow yield	0.335740%
Value of Negative Arbitrage	188,609.21
Bond Par Amount	5,770,000.00
True Interest Cost	2.750119%
Net Interest Cost	2.750000%
Average Coupon	2.750000%
Average Life	8.948
Par amount of refunded bonds	5,310,000.00
Average coupon of refunded bonds	5.000000%
Average life of refunded bonds	7.261
PV of prior debt to 01/21/2015 @ 2.750119%	6,099,230.98
Net PV Savings	329,230.98
Percentage savings of refunded bonds	6.200207%
Percentage savings of refunding bonds	5.705910%

SUMMARY OF BONDS REFUNDED

City of Safford, Arizona
 Excise Tax Revenue Refunding Obligation, Tax-Exempt Series 2015A
 Preliminary Scale-Scenario 2
 Advanced Refunding of Series 2006A
 Assumes Delivery in January

Based upon rates plus a spread that is consistent with similar credits based on size, credit quality
 and amortization. Analysis based on level savings.
 There is no guarantee that such rates can be achieved

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Greater Arizona Development Authority 2006A Loan:					
BOND	07/01/2018	5.000%	530,000.00	07/01/2016	100.000
	07/01/2019	5.000%	565,000.00	07/01/2016	100.000
	07/01/2020	5.000%	600,000.00	07/01/2016	100.000
	07/01/2021	5.000%	640,000.00	07/01/2016	100.000
	07/01/2022	5.000%	680,000.00	07/01/2016	100.000
	07/01/2023	5.000%	720,000.00	07/01/2016	100.000
	07/01/2024	5.000%	765,000.00	07/01/2016	100.000
	07/01/2025	5.000%	810,000.00	07/01/2016	100.000
			5,310,000.00		

BOND SUMMARY STATISTICS

City of Safford, Arizona
Excise Tax Revenue Refunding Obligation, Tax-Exempt Series 2015A
Preliminary Scale-Scenario 2
Advanced Refunding of Series 2006A
Assumes Delivery in January

Based upon rates plus a spread that is consistent with similar credits based on size, credit quality
and amortization. Analysis based on level savings.
There is no guarantee that such rates can be achieved

Dated Date	01/21/2015
Delivery Date	01/21/2015
First Coupon	07/01/2015
Last Maturity	07/01/2029
Arbitrage Yield	2.750119%
True Interest Cost (TIC)	2.750119%
Net Interest Cost (NIC)	2.750000%
All-In TIC	2.950742%
Average Coupon	2.750000%
Average Life (years)	8.948
Duration of Issue (years)	7.845
Par Amount	5,770,000.00
Bond Proceeds	5,770,000.00
Total Interest	1,419,809.72
Net Interest	1,419,809.72
Total Debt Service	7,189,809.72
Maximum Annual Debt Service	649,137.50
Average Annual Debt Service	497,756.06
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	
Total Underwriter's Discount	
Bid Price	100.000000

Bond Component	Par Value	Price	Average Coupon	Average Life	Duration	PV of 1 bp change
Bond Component	5,770,000.00	100.000	2.750%	8.948	7.845	4,486.55
	5,770,000.00			8.948		4,486.55

	TIC	All-In TIC	Arbitrage Yield
Par Value	5,770,000.00	5,770,000.00	5,770,000.00
+ Accrued Interest			
+ Premium (Discount)			
- Underwriter's Discount			
- Cost of Issuance Expense		(88,676.84)	
- Other Amounts			
Target Value	5,770,000.00	5,681,323.16	5,770,000.00
Target Date	01/21/2015	01/21/2015	01/21/2015
Yield	2.750119%	2.950742%	2.750119%

PRIOR BOND DEBT SERVICE

City of Safford, Arizona
Excise Tax Revenue Refunding Obligation, Tax-Exempt Series 2015A
Preliminary Scale-Scenario 2
Advanced Refunding of Series 2006A
Assumes Delivery in January

Based upon rates plus a spread that is consistent with similar credits based on size, credit quality
and amortization. Analysis based on level savings.
There is no guarantee that such rates can be achieved

Dated Date 01/21/2015

Delivery Date 01/21/2015

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
01/21/2015					
07/01/2015			132,750	132,750	132,750
01/01/2016			132,750	132,750	
07/01/2016			132,750	132,750	265,500
01/01/2017			132,750	132,750	
07/01/2017			132,750	132,750	265,500
01/01/2018			132,750	132,750	
07/01/2018	530,000	5.000%	132,750	662,750	795,500
01/01/2019			119,500	119,500	
07/01/2019	565,000	5.000%	119,500	684,500	804,000
01/01/2020			105,375	105,375	
07/01/2020	600,000	5.000%	105,375	705,375	810,750
01/01/2021			90,375	90,375	
07/01/2021	640,000	5.000%	90,375	730,375	820,750
01/01/2022			74,375	74,375	
07/01/2022	680,000	5.000%	74,375	754,375	828,750
01/01/2023			57,375	57,375	
07/01/2023	720,000	5.000%	57,375	777,375	834,750
01/01/2024			39,375	39,375	
07/01/2024	765,000	5.000%	39,375	804,375	843,750
01/01/2025			20,250	20,250	
07/01/2025	810,000	5.000%	20,250	830,250	850,500
	5,310,000		1,942,500	7,252,500	7,252,500

ESCROW DESCRIPTIONS

City of Safford, Arizona
 Excise Tax Revenue Refunding Obligation, Tax-Exempt Series 2015A
 Preliminary Scale-Scenario 2
 Advanced Refunding of Series 2006A
 Assumes Delivery in January

Based upon rates plus a spread that is consistent with similar credits based on size, credit quality
 and amortization. Analysis based on level savings.
 There is no guarantee that such rates can be achieved

Type of Security	Type of SLGS	Maturity Date	First Int Pmt Date	Par Amount	Rate	Max Rate
Jan 21, 2015:						
SLGS	Certificate	07/01/2015	07/01/2015	124,496	0.070%	0.070%
SLGS	Certificate	01/01/2016	01/01/2016	123,314	0.170%	0.170%
SLGS	Note	07/01/2016	07/01/2015	5,433,513	0.340%	0.340%
				5,681,323		

SLGS Summary

SLGS Rates File	15DEC14
Total Certificates of Indebtedness	247,810.00
Total Notes	5,433,513.00
	<hr/>
Total original SLGS	5,681,323.00

ESCROW CASH FLOW

City of Safford, Arizona
Excise Tax Revenue Refunding Obligation, Tax-Exempt Series 2015A
Preliminary Scale-Scenario 2
Advanced Refunding of Series 2006A
Assumes Delivery in January

Based upon rates plus a spread that is consistent with similar credits based on size, credit quality
and amortization. Analysis based on level savings.
There is no guarantee that such rates can be achieved

Date	Principal	Interest	Net Escrow Receipts	Present Value to 01/21/2015 @ 0.3357404%
07/01/2015	124,496.00	8,254.75	132,750.75	132,552.98
01/01/2016	123,314.00	9,435.12	132,749.12	132,329.21
07/01/2016	5,433,513.00	9,236.97	5,442,749.97	5,416,440.82
	5,681,323.00	26,926.84	5,708,249.84	5,681,323.00

Escrow Cost Summary

Purchase date	01/21/2015
Purchase cost of securities	5,681,323.00
	<hr/>
Target for yield calculation	5,681,323.00

ESCROW SUFFICIENCY

City of Safford, Arizona
 Excise Tax Revenue Refunding Obligation, Tax-Exempt Series 2015A
 Preliminary Scale-Scenario 2
 Advanced Refunding of Series 2006A
 Assumes Delivery in January

Based upon rates plus a spread that is consistent with similar credits based on size, credit quality
 and amortization. Analysis based on level savings.
 There is no guarantee that such rates can be achieved

Date	Escrow Requirement	Net Escrow Receipts	Excess Receipts	Excess Balance
01/21/2015		0.16	0.16	0.16
07/01/2015	132,750.00	132,750.75	0.75	0.91
01/01/2016	132,750.00	132,749.12	(0.88)	0.03
07/01/2016	5,442,750.00	5,442,749.97	(0.03)	
	5,708,250.00	5,708,250.00	0.00	

ESCROW STATISTICS

City of Safford, Arizona
 Excise Tax Revenue Refunding Obligation, Tax-Exempt Series 2015A
 Preliminary Scale-Scenario 2
 Advanced Refunding of Series 2006A
 Assumes Delivery in January

Based upon rates plus a spread that is consistent with similar credits based on size, credit quality and amortization. Analysis based on level savings.
 There is no guarantee that such rates can be achieved

Total Escrow Cost	Modified Duration (years)	Yield to Receipt Date	Yield to Disbursement Date	Perfect Escrow Cost	Value of Negative Arbitrage	Cost of Dead Time
5,681,323.16	1.407	0.335740%	0.335740%	5,492,713.93	188,609.21	0.02
5,681,323.16				5,492,713.93	188,609.21	0.02

Delivery date	01/21/2015
Arbitrage yield	2.750119%
Composite Modified Duration	1.407

UNREFUNDED BOND DEBT SERVICE

City of Safford, Arizona
 Excise Tax Revenue Refunding Obligation, Tax-Exempt Series 2015A
 Preliminary Scale-Scenario 2
 Advanced Refunding of Series 2006A
 Assumes Delivery in January

Based upon rates plus a spread that is consistent with similar credits based on size, credit quality
 and amortization. Analysis based on level savings.
 There is no guarantee that such rates can be achieved

Dated Date 01/21/2015

Delivery Date 01/21/2015

Period Ending	Principal	Coupon	Interest	Debt Service
07/01/2015	440,000	4.250%	33,350	473,350
07/01/2016	465,000	5.000%	48,000	513,000
07/01/2017	495,000	5.000%	24,750	519,750
	1,400,000		106,100	1,506,100



CITY COUNCIL COMMUNICATION

TO: Mayor and Council

FROM: Terry Quest, Finance Director

SUBJECT: Authorize the Sale/Placement of Taxable Excise Tax Revenue Refunding Obligations, Series 2015

DATE: Monday, December 22, 2014 at 6:00 p.m.

Purpose and Recommended Action: As a result of the low interest rates in the municipal bond/private placement market which currently prevails it presents an opportunity for the City to refinance its Airport Hangar and Industrial Park lease purchase agreement to realize a lower interest rate and overall savings to the City. Therefore, this is a request for the City Council to approve Resolution Number 14-039 authorizing the sale of up to \$1.5 million in Excise Revenue Taxable refunding obligations. The proposed January sale will refund the Airport Hangar and Industrial Park lease purchase agreement that has a stated interest rate of between 3.8-7.25% with a lower interest rate.

Background: The Airport Hangar and Industrial Park loans originated over a period of time from 2004 - 2009, totaling \$2.0 million. Currently, there is \$1.1 million still outstanding with an average annual payment of \$192K. Maturity of the lease purchase agreement vary from 2018 – 2026. The Finance Department along with the City's advisors and bond council recently analyzed the debt obligations and identified this refunding opportunity that is fiscally prudent for the Council to consider. Current market rates are estimated at between 3.5% and 5%. These funds were used to construct airport hangars in order to promote economic development. An assessment of the conditions of these buildings suggests that they will remain in good usable condition beyond the proposed debt repayment schedule.

Analysis: Staff reviewed all the available refinancing options on these outstanding lease purchase agreements. Our analysis indicated that it would be beneficial to the City to refund the outstanding amount and by consolidating up to eight (8) lease purchase agreements into one by issuing new obligations with an overall lower interest rate and a maturity date not to extend

beyond 2020. Thus, capitalizing on the cash flow savings gained from the possible reduction in the interest rates.

Recommendation: Approve Resolution Number 14-039 authorizing the sale of refunding obligations, assuming acceptable savings is achieved from the results of the bids.

RESOLUTION NUMBER 14-039
(TAXABLE)

RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SAFFORD, ARIZONA, GRAHAM COUNTY, ARIZONA (1) PROVIDING FOR THE SALE AND EXECUTION AND DELIVERY PURSUANT TO A SECOND EXCISE TAX TRUST AGREEMENT (TAXABLE) OF AN EXCISE TAX REVENUE REFUNDING OBLIGATION (TAXABLE), SERIES 2015, EVIDENCING ALL OF THE INTERESTS OF THE HOLDER THEREOF IN INSTALLMENT PAYMENTS OF THE PURCHASE PRICE TO BE PAID BY THE CITY OF SAFFORD, ARIZONA, PURSUANT TO A SECOND EXCISE TAX PURCHASE AGREEMENT (TAXABLE); (2) AUTHORIZING THE COMPLETION, EXECUTION AND DELIVERY WITH RESPECT THERETO OF AGREEMENTS NECESSARY OR APPROPRIATE AS PART OF THE REFINANCING AND PAYING RELATED FINANCING COSTS; (3) DELEGATING TO THE MAYOR, THE CITY MANAGER AND THE FINANCE DIRECTOR CERTAIN AUTHORITY WITH RESPECT TO THE PURPOSES HEREOF; (4) AUTHORIZING THE FINANCE DIRECTOR TO EXPEND ALL NECESSARY FUNDS THEREFOR AND (5) DECLARING AN EMERGENCY.

WHEREAS, the Mayor and Council of the City of Safford, Arizona (the “City”), have determined to prepay amounts due pursuant to certain project lease/purchase agreements (the “Hangar Leases”) entered into between the City and The Stockmans Bank for the purpose of financing the costs of hangars at the airport of the City (hereinafter referred to, collectively, as the “Airport Prior Projects”) by entering into a Second Excise Tax Purchase Agreement (Taxable), to be dated as of the first day of the month of the dated date of the hereinafter described Series 2015 Obligation (hereinafter referred to as the “Purchase Agreement”), in substantially the form presented at the meeting at which this Resolution was adopted, by which the City will agree to purchase a certain portion of the Airport Prior Projects; and

WHEREAS, the acquisition of such portion of the Airport Prior Projects will be financed through the sale and execution and delivery of all of the interests (hereinafter referred to as the “Series 2015 Obligation”) in the Purchase Agreement pursuant to, and secured by, a Second Excise Tax Trust Agreement (Taxable), to be dated as of the date of the Purchase Agreement (hereinafter referred to as the “Trust Agreement”), from the City to a trustee appointed as provided herein (including any successor appointed and acting in such capacity, hereinafter referred to as the “Trustee”), in substantially the form presented at the meeting at which this Resolution was adopted; and

WHEREAS, the Mayor and Council of the City will receive a proposal from Stifel, Nicolaus & Company, Incorporated, serving in the capacity of and designated as the placement agent (hereinafter referred to as the “Placement Agent”), and not acting as a municipal advisor as defined in the “Registration of Municipal Advisors” rule promulgated by the United States Securities and Exchange Commission, and has determined that the Series 2015 Obligation should be placed by the Placement Agent and pursuant to the Strategic Alliance of Volume Expenditures (SAVE) Cooperative Response Proposal #C-007-1213; and

WHEREAS, the Placement Agent will submit such proposal to place the Series 2015 Obligation pursuant to a standard form of placement agent agreement, to be dated the date of placement of the 2015 Obligation (hereinafter referred to as the “Placement Contract”), by and between the City and the Placement Agent; and

WHEREAS, there have been presented to the Mayor and Council of the City at the meeting at which this Resolution was considered (i) the proposed form of the Purchase Agreement and (ii) the proposed form of the Trust Agreement; and

WHEREAS, the City has the requisite power and authority to execute and deliver the Purchase Agreement and to cause the sale and execution and delivery of the Series 2015 Obligation, and all acts, conditions and things required by the Constitution and laws of the State of Arizona and the requirements of the City to happen, exist and be performed precedent to and as a condition to the adoption of this Resolution have happened, exist and been performed in the time and manner required to make the Purchase Agreement a valid and binding limited, special obligation of the City;

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF SAFFORD, ARIZONA, as follows:

Section 1. Authorization and Execution and Delivery of Documents and Obligation.

(a) For the purpose of providing funds to finance the costs of the acquisition of certain portions of the Airport Prior Projects and the related costs of the sale and execution and delivery of the Series 2015 Obligation, the Series 2015 Obligation shall be sold and executed and delivered. The Series 2015 Obligation shall be dated the date of its initial authentication and delivery and shall be issued in such form and denomination, shall be executed in such manner and shall have such other provisions as set forth in the form of the Trust Agreement, with such additions, deletions and modifications consistent with this Resolution as shall be approved by the officers of the Trustee executing and delivering the same on behalf of the Trustee, the execution and delivery thereof to constitute conclusive evidence of their approval and of such additions, deletions or modifications. The identity of the Trustee, the aggregate principal amount of the Series 2015 Obligation (but not to exceed \$1,500,000) and the dates the same shall be payable and prepayable, the period over which the Series 2015 Obligation shall become payable (but not later than July 1, 2020), which of the Hangar Leases are to be prepaid, the payment dates and payment amounts of the Hangar Leases to be prepaid, the date on and price at which the Series 2015 Obligation shall be sold (including provisions for any premium or discount) and the entity to which the Series 2015 Obligations shall be sold and the rates of interest the Series 2015 Obligation shall bear (but, except in the case of default or an event of taxability, not greater than 4.5 percent) and

the dates the same shall be payable shall be determined by the Mayor, the City Manager or the Finance Director of the City or the designees of any of them (hereinafter referred to as, collectively, the “Authorized Representatives”) to which such authority is hereby delegated.

(b) The Mayor or, in the absence thereof, the Vice Mayor are hereby authorized to execute, and the Clerk is hereby authorized to attest and deliver, respectively, the Purchase Agreement, the Trust Agreement and the Placement Contract as well as, if necessary, a standard form of escrow trust agreement, to be dated as of the first day of the month of the dated date of the Series 2015 Obligation (hereinafter referred to as the “Escrow Trust Agreement”), between the Trustee in its separate capacity as escrow trustee (hereinafter referred to as the “Escrow Trustee”), and the City, for the establishment, if necessary, of an escrow to pay principal of and interest on the Hangar Leases and to prepay amounts due pursuant to the Hangar Leases which are hereby approved, with such additions, deletions and modifications as shall be approved by those officers executing and delivering the same on behalf of the City, the execution and delivery thereof to constitute conclusive evidence of their approval, and of such additions, deletions and modifications.

(c) The Trustee is hereby requested to execute and deliver the Series 2015 Obligation, the Purchase Agreement and the Trust Agreement to accomplish the purposes hereof. The Escrow Trustee is hereby requested to execute and deliver the Escrow Trust Agreement to accomplish the purposes hereof.

(d) The Authorized Representatives are hereby authorized to cause the sale and execution and delivery of the Series 2015 Obligation pursuant to the Placement Contract and are hereby delegated the authority to complete any information missing in, or necessary for the consummation of the transactions contemplated by, the Purchase Agreement, the Trust Agreement, the Escrow Trust Agreement and the Placement Contract. The Finance Director is hereby authorized to receive and expend such funds as necessary to accomplish the purposes of this Resolution, including payment of installment payments related to debt service on the Series 2015 Obligation.

Section 2. Severability. All actions of the officers, employees and agents of the City including the Council which conform to the purposes and intent of this Resolution and which further the issuance and sale of the Series 2015 Obligation as contemplated by this Resolution, whether taken before or after adoption of this Resolution, are hereby ratified, confirmed and approved. The proper officers and agents of the City are hereby authorized and directed to do all such acts and things and to execute and deliver all such documents on behalf of the City as may be necessary to carry out the terms and intent of this Resolution.

Section 3. Ratification of Actions. All actions of the officers, employees and agents of the City including the Council conform to the purposes and intent of this Resolution and which further the actions contemplated by this Resolution, whether taken before or after adoption of this Resolution, are hereby ratified, confirmed and approved. The proper officers and agents of the City are hereby authorized and directed to do all such acts and things and to execute and deliver all such documents on behalf of the City as may be necessary to carry out the terms and intent of this Resolution.

Section 4. Emergency. The immediate operation of this Resolution is necessary for the preservation of the public health and welfare, particularly to be able to finance the capital needs of the City on the most advantageous terms presently available, and an emergency is hereby declared to exist, and this Resolution shall be in full force and effect from and after its passage and approval by the Mayor and Council of the City, as required by law, and it is hereby exempt from the referendum provisions of the Constitution and laws of the State of Arizona.

PASSED, ADOPTED, AND APPROVED this 22nd day of December, 2014.

.....
Wyn "Chris" Gibbs, Mayor
City of Safford, Arizona

ATTEST:

APPROVED AS TO FORM:

.....
Georgia Luster, MMC, Clerk
City of Safford, Arizona

.....
William J. Sims, III, Interim City Attorney
City of Safford, Arizona

CERTIFICATION

I hereby certify that the foregoing Resolution Number 14-039 was duly passed and adopted by the Mayor and Council of the City of Safford, Arizona, at a regular meeting held on the 22nd day of December, 2014, and the vote was ayes and nays and that the Mayor and Councilmembers were present thereat.

.....
Georgia Luster, MMC, City Clerk
City of Safford, Arizona

SECOND EXCISE TAX PURCHASE AGREEMENT (TAXABLE)

by and between

_____,
as Seller

and

THE CITY OF SAFFORD, ARIZONA,
as Purchaser

Dated as of _____ 1, 2015

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SECOND EXCISE TAX PURCHASE AGREEMENT (TAXABLE)

THIS SECOND EXCISE TAX PURCHASE AGREEMENT (TAXABLE), dated as of _____ 1, 2015 (this “Agreement”), by and between the CITY OF SAFFORD, ARIZONA, a municipal corporation under the laws of the State of Arizona (the “City”), as purchaser hereunder, and _____, a national banking association, as trustee under the First Excise Tax Trust Agreement, dated as of even date herewith (the “Trust Agreement”), but in its separate capacity as seller (the “Seller”) hereunder,

WITNESSETH:

WHEREAS, the City heretofore determined that it would be beneficial to its citizens to finance the costs of the Airport Prior Projects (as such term and all other terms not otherwise defined herein are defined in the Trust Agreement); and

WHEREAS, the City also heretofore determined that it would be beneficial to its citizens to finance the costs of the GADA Prior Project; and

WHEREAS, in order to finance the costs of the GADA Prior Project, the City deemed it necessary and desirable to borrow \$9,420,000 from GADA; and

WHEREAS, in connection therewith, the City and GADA entered into the First Loan Repayment Agreement; and

WHEREAS, the City also heretofore determined that it would be beneficial to its citizens to finance the costs of building a new electrical substation; and

WHEREAS, in order to finance the costs thereof, the City deemed it necessary and desirable to borrow \$3,095,000 from GADA; and

WHEREAS, in connection therewith, the City and GADA entered into the Second Loan Repayment Agreement; and

WHEREAS, Section 10(a) of the First Loan Repayment Agreement and the Second Loan Repayment Agreement provide that GADA may, in the case of nonpayment, among other things, certify to the Treasurer of the State and notify the Mayor and Council of the City that the City has failed to make a required payment and request enforcement of the State Intercept of Funds, and Additional Agency/Authority Loan Agreements may provide that GADA or WIFA provide for enforcement of the State Intercept of Funds; and

WHEREAS, pursuant to Section 3 of the First Loan Repayment Agreement and the Second Loan Repayment Agreement and subject to the State Intercept of Funds, the City irrevocably pledged for the payment of the amounts due thereunder the revenues from the Excise Taxes and the State Shared Revenues, such pledge being a first lien pledge upon such amounts of the revenues from the Excise Taxes and the State Shared Revenues as will be sufficient to make the payments pursuant thereto when due; and

WHEREAS, pursuant to Section 6 of the First Loan Repayment Agreement and the Second Loan Repayment Agreement, the City shall not further encumber the revenues from the Excise Taxes and the State Shared Revenues on a basis equal to the pledge under the First Loan Repayment Agreement and the Second Loan Repayment Agreement unless the revenues from the Excise Taxes plus the State Shared Revenues, when combined mathematically for such purpose only, in the most recently completed fiscal year of the City, shall have amounted to at least two (2) times the highest combined interest and principal requirements for any succeeding fiscal year of the City for the First Loan Repayment Agreement, the Second Loan Repayment Agreement and the other of the Parity Lien Obligations secured or so proposed to be secured by such pledge of the revenues from the Excise Taxes and the State Shared Revenues on a parity of lien therewith; and

WHEREAS, pursuant to Resolution No. _____ adopted on December 22, 2014, the Mayor and Council of the City determined to prepay amounts due pursuant to the Hangar Leases; and

WHEREAS, for the purposes thereof, the Mayor and Council of the City requested that the Trustee sell and execute and deliver the Obligation; and

WHEREAS, for the purpose of prepaying amounts due pursuant to other leases and a portion of the amounts due pursuant to the First Loan Repayment Agreement, the Mayor and Council of the City also requested that the Trustee enter into the 2015 Tax-Exempt Agreement at the same time as this Agreement; and

WHEREAS, this Agreement and the 2015 Tax-Exempt Agreement are Parity Lien Obligations; and

WHEREAS, the City is a municipal corporation duly incorporated and validly existing under the laws of the State; the Constitution and the laws of the State authorize the City to enter into this Agreement and the transactions contemplated by this Agreement; the City has duly authorized and executed this Agreement; this Agreement is a lawful, valid and binding obligation of the City, enforceable against the City in accordance with its terms; all required procedures for execution and performance of this Agreement, including publication of notice, public hearing or competitive bidding, if applicable, have been or will be complied with in a timely manner; there are no legal or governmental proceedings or litigation pending or overtly threatened or contemplated (or any basis therefor) wherein an unfavorable decision, ruling or finding might adversely affect the transactions contemplated in or the validity of this Agreement or the Trust Agreement; the Payments will be paid when due out of funds which are legally available for such purposes; neither the execution and delivery of this Agreement or the Trust Agreement, nor the fulfillment of or compliance with the terms and conditions hereof or thereof nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the City is now a party or by which the City is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the City; the City has disclosed in writing to the Seller all facts that do or will materially adversely affect the properties, operations or financial condition of the City and that any financial statements, notices or other written statements provided by the City to the Seller pursuant hereto will not contain any untrue statement of a material fact or omit any material fact

necessary to make such statements or information not misleading and the Airport Prior Projects comply with all applicable environmental laws, rules and regulations (including, without limitation, all federal, state and local laws) and with Title III of the Americans with Disabilities Act and the regulations issued thereunder by the United States Department of Justice concerning accessibility of places of public accommodation and commercial facilities if and to the extent such Act and regulations apply to the Airport Prior Projects; and

WHEREAS, the Seller has full legal authority and is duly empowered to enter into this Agreement and has taken all actions necessary to the execution and delivery hereof;

NOW THEREFORE, pursuant to law and for and in consideration of the mutual covenants hereinafter contained, it is hereby agreed as follows:

Section 1. Term and Payments.

(a) In order to finance the costs of the Airport Prior Projects which have not been paid to date pursuant to the terms hereof, the City sells and conveys any interests it has in the Airport Prior Projects to the Seller, without warranty, for the sum of \$10.00 and other valuable consideration had and received. For the amounts payable pursuant hereto (including the Payments), the Seller in turn hereby sells and conveys back to the City, without recourse, representation or warranty, and the City hereby purchases from the Seller, any interests the Seller has in the Airport Prior Projects.

(b) As the purchase price, the City shall pay the Payments to the Seller. (The Interest Portion is interest for purposes of the Code.)

The City shall also pay to the Seller its fees and expenses in accordance with the provisions of the Trust Agreement.

(c) This Agreement shall be deemed and construed to be a “*net purchase agreement*,” and the Payments shall be an absolute net return to the Seller, free and clear of any expenses or charges whatsoever, except as otherwise specifically provided herein. The obligation of the City to pay the amounts described in paragraph (b) hereof (including the Payments) from the sources described herein and to comply with the other provisions hereof shall be absolute and unconditional and shall not be subject to any defense or any right of set-off, abatement, counterclaim, or recoupment arising out of any breach by the Seller of any obligation to the City or otherwise, or out of indebtedness or liability at any time owing to the City by the Seller. Until such time as all of the payments described in paragraph (b) hereof (including the Payments) shall have been fully paid or provided for, the City (i) shall not suspend or discontinue the same, (ii) shall comply with the other provisions hereof and (iii) shall not terminate this Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Airport Prior Projects, the taking by *eminent domain* of title to or temporary use of any or all of the Airport Prior Projects, commercial frustration of purpose, abandonment of the Airport Prior Projects by the City, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of the Seller to perform and observe any agreement, whether express or

implied, or any duty, liability or obligation arising out of or connected with the Trust Agreement or this Agreement. Nothing contained in this Section shall be construed to release the Seller from the performance of any of the agreements on its part herein or in the Trust Agreement contained and in the event the Seller shall fail to perform any such agreements on its part, the City may institute such action against the Seller as the City may deem necessary to compel performance so long as such action does not abrogate the obligations of the City contained in the first sentence of this paragraph.

(d) Any of the payments described in paragraph (b) hereof (including the Payments) due on a day which is not a Business Day may be made on the next Business Day and will be deemed to have been made on the date due.

(e) Amounts payable to the Seller shall be paid by means instructed to the City in writing.

Section 2. Pledge; Limited Obligations.

(a) Subject to the State Intercept of Funds with regard to the First Loan Repayment Agreement, the Second Loan Repayment Agreement and the other of the Parity Lien Obligations which are also Additional Agency/Authority Loan Agreements, the revenues from the Excise Taxes and the State Shared Revenues have been pledged by the City to the payment of all amounts described in Subsection 1(b) hereof (including the Payments), and payment of such amounts shall be secured by a paramount and first lien on and pledge of the revenues from the Excise Taxes and the State Shared Revenues on parity with the pledge and lien hereby granted by the City for the payment and security of the First Loan Repayment Agreement, the Second Loan Repayment Agreement, the 2015 Tax-Exempt Agreement and the other of the Parity Lien Obligations. All of the Payments are coequal as to the pledge of and lien on the revenues from the Excise Taxes and the State Shared Revenues and share ratably, without preference, priority or distinction, as to the source or method of payment from the revenues from the Excise Taxes and the State Shared Revenues or security therefor.

(b) The City shall remit to the Seller from the revenues from the Excise Taxes and the State Shared Revenues all amounts due under this Agreement in the amounts and at the times and for the purposes as required herein. The obligation of the City to make payments of any amounts due under this Agreement, including amounts due after default hereof, is limited to payment from the revenues from the Excise Taxes and the State Shared Revenues and shall under no circumstances constitute a general obligation or a pledge of the full faith and credit of the City, the State or any of its political subdivisions, or require the levy of, or be payable from the proceeds of, any *ad valorem* property taxes.

(c) The City may, at the sole option of the Mayor and Council of the City, make payments due pursuant to Section 1 hereof from its other funds as permitted by law and as the City shall determine from time to time, but the Seller acknowledges that it has no claim hereunder to such other funds. No part of the purchase price payable pursuant to this Agreement shall be payable out of any *ad valorem* property taxes imposed by the City or from bonds or other obligations, the payment of which the City's general taxing authority is pledged, unless (i) the same shall have been duly budgeted by the City according to law, (ii) such payment or payments

shall be within the budget limitations of the statutes of the State and (iii) any such bonded indebtedness or other obligation are within the debt limitations of the Constitution of the State.

Section 3. Surplus and Deficiency of the Revenues from the Excise Taxes and the State Shared Revenues. Subject to the rights with respect to the revenues from the Excise Taxes and the State Shared Revenues with respect to the First Loan Repayment Agreement, the Second Loan Repayment Agreement, the 2015 Tax-Exempt Agreement and the other of the Parity Lien Obligations, the revenues from the Excise Taxes and the State Shared Revenues in excess of amounts, if any, required to be deposited with or held by the Seller for payments due under this Agreement shall constitute surplus revenues and may be used by the City for any lawful purpose for the benefit of the City, including the payment of obligations to which the revenues from the Excise Taxes and the State Shared Revenues may from time to time be pledged on a basis subordinate hereto. If at any time the moneys in the funds held for payment of amounts due under this Agreement are not sufficient to make the deposits and transfers required, any such deficiency shall be made up from the first moneys thereafter received and available for such transfers under the terms of this Agreement and, with respect to payment from the revenues from the Excise Taxes and the State Shared Revenues, *pro rata*, with amounts due with respect to the First Loan Repayment Agreement, the Second Loan Repayment Agreement, the 2015 Tax-Exempt Agreement and the other of the Parity Lien Obligations, and the transfer of any such sum or sums to said fund as may be necessary to make up any such deficiency shall be in addition to the then-current transfers required to be made pursuant hereto.

Section 4. Parity Lien Obligations. The City shall not encumber the revenues from the Excise Taxes on a basis prior or paramount to the lien and pledge provided for under Section 2(a) hereof. So long as any amounts due hereunder remain unpaid or unprovided for, the City shall not further encumber the revenues from the Excise Taxes and the State Shared Revenues on a basis equal to the pledge hereunder unless the revenues from the Excise Taxes plus the State Shared Revenues, when combined mathematically for such purpose only, in the most recently completed fiscal year of the City, shall have amounted to at least two (2) times the highest combined interest and principal requirements for any succeeding fiscal year of the City for the First Loan Repayment Agreement, the Second Loan Repayment Agreement, the 2015 Tax-Exempt Agreement, this Agreement and the other of the Parity Lien Obligations secured or so proposed to be secured by such pledge of the revenues from the Excise Taxes and the State Shared Revenues on a parity of lien therewith. For purposes of this Section, any variable rate indebtedness shall be assumed to bear interest at the maximum permissible rate.

Section 5. Town Control over Revenue Collection. To the extent permitted by applicable law, the revenues from the Excise Taxes shall be retained and maintained so that the amounts received from the revenues from the Excise Taxes and the State Shared Revenues, when combined mathematically for such purpose only, all within and for the most recently completed fiscal year of the City, shall have been equal to at least two (2) times the total of interest and principal requirements for the current fiscal year of the City for the First Loan Repayment Agreement, the Second Loan Repayment Agreement, the 2015 Tax-Exempt Agreement, this Agreement and the other of the Parity Lien Obligations. If the revenues from the Excise Taxes and the State Shared Revenues for any such fiscal year shall not have been equal to at least one and one-quarter (1-1/4) times the total of the interest and principal requirements for the current

fiscal year of the City for the First Loan Repayment Agreement, the Second Loan Repayment Agreement, the 2015 Tax-Exempt Agreement, this Agreement and the other of the Parity Lien Obligations or if at any time it appears that the revenues from the Excise Taxes and the State Shared Revenues will not be sufficient to meet such requirements, the City shall, to the extent permitted by applicable law, impose new exactions of the type of the Excise Taxes which will be part of the Excise Taxes or increase the rates for the Excise Taxes currently imposed fully sufficient at all times, after making allowance for contingencies and errors, in each fiscal year of the City in order that (a) the revenues from the Excise Taxes and the State Shared Revenues will be sufficient to meet all current requirements hereunder and (b) the revenues from the Excise Taxes and the State Shared Revenues will be reasonably calculated to attain the level as required by the first sentence of this subsection.

Section 6. Certain Matters with Respect to the Airport Prior Projects.

(a) Except with respect to its power and authority to enter into this Agreement and to perform its covenants hereunder, the Seller has made and makes no representation or warranty, express or implied, and assumes no obligation with respect to the title, merchantability, condition, quality or fitness of the Airport Prior Projects for any particular purpose or the conformity of the Airport Prior Projects to any plans, specifications, construction contract, purchase order, model or sample, or as to their design, construction, delivery, installation, construction oversight and operation or their suitability for use by the City after completion. All such risks shall be borne by the City without in any way excusing the City from its obligations under this Agreement, and the Seller shall not be liable to the City for any damages on account of such risks. Except with respect to any acts by the Seller which are not undertaken at the request of the City or with the prior approval of the City, the City waives all claims against the Seller growing out of the acquisition of the Airport Prior Projects. The Seller shall have no liability to the City for any failure of any contractor to perform any contract or other undertaking with respect to the Airport Prior Projects in any respect. The Seller shall have no obligation to obtain or insure compliance with any required permits or approval procedures with respect to the Airport Prior Projects. In the event of any defect in any item of the Airport Prior Projects or other claim with respect to the Airport Prior Projects, recourse of the City shall be against the contractors, manufacturers, suppliers, etc. of the Airport Prior Projects and, where applicable, the person selling the property to the Seller, and not against the Seller. For such purpose, the Seller hereby assigns and transfers to the City the right, title and interest of the Seller in and to all representations, warranties, guarantees and service agreements relating to the Airport Prior Projects made or entered into by the Seller and by any contractor, manufacturers, suppliers, etc. of the Airport Prior Projects. The Seller further designates the City as its attorney-in-fact granting to the City the right to initiate and take all actions necessary to enforce any and all construction contracts and all such warranties and service agreements. The Seller is entering into this Agreement solely as the Seller, shall not be personally liable hereunder and shall be afforded the same rights, protections, immunities and indemnities acting hereunder as afforded to it as the Trustee under the Trust Agreement. Notwithstanding anything to the contrary herein, at no time shall the Seller be listed in the chain of title to the Airport Prior Projects. Provisions governing the rights, immunities and protections of the Trustee under the Trust Agreement are herein incorporated by reference into this agreement as though fully set forth herein.

(b) The City, by keeping and performing the covenants and agreements herein contained, shall at all times during the term of this Agreement, peaceably and quietly, have, hold and enjoy the Airport Prior Projects, without suit, trouble or hindrance from the Seller. The City hereby grants and conveys to the Seller, and all persons claiming by, through or under the Seller, including its successors and assigns under the Trust Agreement and the Owners for whom it acts, a nonexclusive easement upon, in and to the Airport Prior Projects for the purpose of permitting the Airport Prior Projects to be maintained upon the premises.

(c) Notwithstanding any other terms or provisions of this Agreement, the interest of the Seller in the Airport Prior Projects is solely in its capacity as the Seller for the refinancing of the Airport Prior Projects, and the Seller shall not have the power, authority or obligation to assume any responsibility for the overall management or maintenance of the Airport Prior Projects, including, without limitation, any day-to-day decision-making or operational aspects of the Airport Prior Projects.

Section 7. Providing for Payment. The City may provide for the payment of the Payments in any one or more of the following ways:

(a) by paying the Payments as provided herein as and when the same become due and payable at their scheduled due dates pursuant to Section 1 hereof or on a date on which they can be prepaid;

(b) by depositing with a Depository Trustee, in trust for such purposes, money which, together with the amounts then on deposit with the Seller and available for the Payments is fully sufficient to make, or cause to be made, the Payments at their scheduled due dates or on a date on which they can be prepaid or

(c) by depositing with a Depository Trustee, in trust for such purpose, any Defeasance Obligations which are noncallable, in such amount as shall be certified to the Seller and the City, by a national firm of certified public accountants acceptable to both the Seller and the City, as being fully sufficient, together with the interest to accrue thereon and moneys then on deposit with the Seller and available for the Payments, to make, or cause to be made, the Payments at their scheduled due dates or on a date on which they can be prepaid.

Section 8. Term of Agreement. This Agreement shall not terminate so long as any payments are due and owing pursuant to the Obligation. Subject to Section 7 hereof, upon full payment or provision for payment and in consideration of the timely payment of all of the amounts described in Subsection 1(b) hereof (including the Payments) and provided that the City has performed all the covenants and agreements required by the City to be performed, this Agreement shall cease and expire. The obligations of the City under this Agreement, including, without limitation, its obligation to pay the Payments, shall survive any action brought as provided in the next Section hereof, and the City shall continue to pay the Payments and perform all other obligations provided in this Agreement; provided, however, that the City shall be credited with any amount received by the Seller pursuant to actions brought under the next Section hereof.

Section 9. Default; Remedies Upon Default.

(a) (i) Upon (A) the nonpayment of the whole or any part of any of the amounts described in Subsection 1(b) hereof (including the Payments) at the time when the same are to be paid as provided herein or in the Trust Agreement, (B) the violation by the City of any other covenant or provision of this Agreement or the Trust Agreement, (C) the occurrence of an event of default with respect to the First Loan Repayment Agreement, the Second Loan Repayment Agreement, the 2015 Tax-Exempt Agreement or the other of the Parity Lien Obligations or (D) the insolvency or bankruptcy of the City as the same may be defined under any law of the United States of America or the State, or any voluntary or involuntary action of the City or others to take advantage of, or to impose, as the case may be, any law for the relief of debtors or creditors, including a petition for reorganization, and

(ii) if such default has not been cured (A) in the case of nonpayment of any of the amounts described in Subsection 1(b) hereof (including the Payments) as required hereunder or under the Trust Agreement on the due date or the nonpayment of principal or interest due with respect to the First Loan Repayment Agreement, the Second Loan Repayment Agreement, the 2015 Tax-Exempt Agreement or the other of the Parity Lien Obligations on their due dates; (B) in the case of the breach of any other covenant or provision of the Trust Agreement or this Agreement not cured within sixty (60) days after notice in writing from the Seller specifying such default and (C) in the case of any other default under the First Loan Repayment Agreement, the Second Loan Repayment Agreement, the 2015 Tax-Exempt Agreement or the other of the Parity Lien Obligations after any notice and passage of time provided for under the proceedings under which such obligations were issued then,

(iii) subject to the limitations of the Trust Agreement, the Seller may take whatever action at law or in equity, including the remedy of specific performance, may appear necessary or desirable to collect the Payments and any other amounts payable by the City under the Trust Agreement or this Agreement then due (but not the Payments and such other amounts accruing), or to enforce performance and observance of any pledge, obligation, agreement or covenant of the City under the Trust Agreement or this Agreement, and with respect to the revenues from the Excise Taxes and, subject to the State Intercept of Funds with regard to the First Loan Repayment Agreement, the Second Loan Repayment Agreement and the other of the Parity Lien Obligations which is also an Additional Agency/Authority Loan Agreement, the State Shared Revenues, without notice and without giving any bond or surety to the City or anyone claiming under the City, have a receiver appointed of the revenues from the Excise Taxes and, subject to the State Intercept of Funds with regard to the First Loan Repayment Agreement, the Second Loan Repayment Agreement and the other of the Parity Lien Obligations which is also an Additional Agency/Authority Loan Agreement, the State Shared Revenues which are pledged to the payment of amounts due hereunder, with such powers as the court making such appointment shall confer (and the City does hereby irrevocably consent to such appointment); provided, however, that under no circumstances may the Payments be accelerated.

Each right, power and remedy of the Seller provided for in this Agreement shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for herein, or, unless prohibited by the terms hereof, now or hereafter existing at law or in equity or by statute or otherwise, in any jurisdiction where such rights, powers and remedies are sought to be enforced, and the exercise or beginning of the exercise by the Seller of any one or more of the rights, powers or remedies provided for herein or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by either party of any or all of such other rights, powers or remedies. The failure to insist upon strict performance of any of the covenants or agreements herein set forth shall not be considered or taken as a waiver or relinquishment for the future of the rights of the Seller to insist upon a strict compliance by the Seller with all the covenants and conditions hereof. The City shall, upon not less than 10 days' prior request by the Seller, execute, acknowledge and deliver to the Seller a statement in writing certifying that this Agreement is unmodified and in full force and effect (or, if this Agreement has been modified, that it is in full force and effect except as modified, and stating the modification), and the dates to which the amounts payable hereunder have been paid in advance, if any.

(b) The Seller shall in no event be in default in the performance of any of its obligations hereunder unless and until the Seller shall have failed to perform such obligation within 30 days or such additional time as is reasonably required to correct any such default after notice by the City properly specifying wherein the Seller has failed to perform any such obligation. No default by the Seller shall relieve the City of its obligations to make the various payments herein required, so long as the Obligation remains outstanding; however, the City may exercise any other remedy available at law or in equity to require the Seller to remedy such default so long as such remedy does not interfere with or endanger the payments required to be made by the Seller under the Trust Agreement.

Section 10. Assignment.

(a) Except as otherwise provided herein, the City shall not assign, transfer, pledge or hypothecate or otherwise dispose of this Agreement or any interest therein, and any assignment in contravention hereof shall be void.

(b) Subject to the terms of the Trust Agreement, all and every part of the right, title and interest of the City in and to this Agreement and all payments of any kind due or which become due to the Seller hereunder are sold, pledged, assigned and transferred pursuant to the Trust Agreement.

Section 11. Covenant as to Conflict of Interest; Other Statutory Restrictions.

(a) To the extent applicable by provision of law, the Seller acknowledges that this Agreement is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, the provisions of which are incorporated herein and which provides that the City may within three (3) years after its execution cancel any contract (including this Agreement) without penalty or further obligation made by the City if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the City is at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party to the contract with

respect to the subject matter of the contract. The cancellation shall be effective when written notice is received by all other parties to the contract unless the notice specifies a later time. The Seller covenants not to employ as an employee, an agent or, with respect to the subject matter of this Agreement, a consultant, any person significantly involved in initiating, negotiating, securing, drafting or creating this Agreement on behalf of the Seller within three years from the execution of this Agreement, unless a waiver of Section 38-511, Arizona Revised Statutes, is provided by the City. No basis exists for the City to cancel this Agreement pursuant to Section 38-511, Arizona Revised Statutes, as of the date hereof.

(b) To the extent applicable under Section 41-4401, Arizona Revised Statutes, the Seller shall comply with all federal immigration laws and regulations that relate to its employees and its compliance with the “e-verify” requirements under Section 23-214(A), Arizona Revised Statutes. The breach by the Seller of the foregoing shall be deemed a material breach of this Agreement and may result in the termination of the services of the Seller by the City. To the extent permitted by law, the City retains the legal right to randomly inspect the papers and records of the Seller to ensure that the Seller is complying with the above-mentioned warranty. The Seller shall keep such papers and records open for random inspection during normal business hours by the City. The Seller shall cooperate with the random inspections by the City including granting the City entry rights onto its property to perform such random inspections and waiving its respective rights to keep such papers and records confidential.

Section 12. Miscellaneous.

(a) No covenant or obligation herein to be performed by the City may be waived except by the written consent of the Seller, and a waiver of any such covenant or obligation or a forbearance to invoke any remedy on any occasion shall not constitute or be treated as a waiver of such covenant or obligation as to any other occasion and shall not preclude the Seller from invoking such remedy at any later time prior to the cure by the City of the condition giving rise to such remedy.

(b) This Agreement shall be construed and governed in accordance with the laws of the State in effect from time to time.

(c) The recitals set forth at the beginning of this Agreement are incorporated in this Agreement by this reference. This Agreement constitutes the entire agreement between the parties and shall not be modified, waived, discharged, terminated, amended, supplemented, altered or changed in any respect except by a written document signed by both the Seller and the City, subject to the restrictions with regard thereto provided by the Trust Agreement.

(d) Any term or provision of this Agreement found to be prohibited by law or unenforceable or which would cause this Agreement to be invalid, prohibited by law or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without, to the extent reasonably possible, causing the remainder of this Agreement to be invalid, prohibited by law or unenforceable.

(e) The captions set forth herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

(f) Except as otherwise provided herein, this Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, successors, assigns and personal representatives, as the case may be. Any person or entity acquiring any interest in or to the right, title or interest of the Seller herein shall be and have the rights of a third party beneficiary hereunder.

(g) This Agreement may be executed in any number of counterparts, each of which shall be regarded as an original and all of which shall constitute but one and the same instrument.

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

The Seller:

_____, as seller

By

Printed Name:

Title:

The City:

CITY OF SAFFORD, ARIZONA, a municipal corporation under the laws of the State of Arizona, as purchaser

By.....
Mayor

ATTEST:

By.....
Town Clerk

SCHEDULE

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
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SECOND EXCISE TAX TRUST AGREEMENT (TAXABLE)

by and between

_____,
as Trustee

and

THE CITY OF SAFFORD, ARIZONA,
as Purchaser

Dated as of _____ 1, 2015

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EXHIBIT FORM OF OBLIGATION

* * *

SECOND EXCISE TAX TRUST AGREEMENT (TAXABLE)

THIS SECOND EXCISE TAX TRUST AGREEMENT (TAXABLE), made and entered into as of the first day of _____, 2015 (this "Trust Agreement"), by and between the CITY OF SAFFORD, ARIZONA, a municipal corporation under the laws of the State of Arizona (the "City") and _____, a national banking association authorized to exercise trust powers in the State of Arizona, as trustee, and any successor to its duties hereunder (the "Trustee"), and;

WITNESSETH:

WHEREAS, pursuant to Resolution No. _____ adopted on December 22, 2014, the Mayor and Council of the City determined to prepay amounts due pursuant to certain project lease/purchase agreements (collectively, the "Hangar Leases") by and between the City and The Stockmans Bank which were entered into for the purpose of financing the costs of hangars at the airport of the City (the "Airport Prior Projects"); and

WHEREAS, for such purposes, the Mayor and Council of the City requested that the Trustee sell and execute and deliver the Excise Tax Revenue Refunding Obligation (Taxable), Series 2015, in the principal amount of \$_____,000 (the "Obligation"), and the Trustee has, as described in this Trust Agreement, transferred proceeds of the sale of the Obligation to the Escrow Trustee (as such term and all other terms not hereinabove defined are defined in Section 1.1 hereof);

GRANTING CLAUSES

NOW, THEREFORE, In order to secure the payment of principal and interest (to the extent provided herein) related to the Obligation, the rights of the Owner and the performance and the observance of the covenants and conditions contained in the Obligation, the Purchase Agreement and herein, and the performance and the observance of all of the covenants and conditions contained therein, the City absolutely and irrevocably pledges and assigns to the Trustee, and the Trustee hereby declares an irrevocable trust and acknowledges its acceptance of, all right, title and interest in and to the following described trust estate, which shall be administered by the Trustee according to the provisions of this Trust Agreement:

A. All right, title and interest of the Seller in, under and pursuant to the Purchase Agreement, the Payments and any other amounts payable by the City under the Purchase Agreement and the present and continuing right to (i) make claim for, collect or cause to be collected, receive or cause to be received all such revenues, receipts and other sums of money payable or receivable thereunder, (ii) to bring acts and proceedings thereunder or for the enforcement of such rights, and (iii) to do any and all other things which the Seller is or may become entitled to do thereunder;

B. Amounts on deposit from time to time in the funds created pursuant hereto, subject to the provisions of this Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein; and

C. Any and all other real or personal property of any kind from time to time hereafter by delivery or by writing of any kind specifically conveyed, pledged, assigned or transferred, as and for additional security hereunder for the Obligation, by the Seller or by anyone on its behalf or with its written consent, in favor of the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof,

TO HAVE AND TO HOLD, all and singular, the trust estate, including all additional property which by the terms hereof has or may become subject to the encumbrance of this Trust Agreement, unto the Trustee and its successors and assigns, forever, subject, however, to the rights reserved hereunder;

IN TRUST, however, for the benefit and security of the Owner, conditioned, however, that if the City shall well and truly pay or cause to be paid fully and promptly when due all indebtedness, liabilities, obligations and sums at any time secured hereby, including interest and attorneys' fees, and shall promptly, faithfully and strictly keep, perform and observe or cause to be kept, performed and observed all of its covenants, warranties and agreements contained herein, this Trust Agreement shall be and become void and of no further force and effect; otherwise, the same shall remain in full force and effect, and upon the trust and subject to the covenants and conditions hereinafter set forth.

For such purposes, the City and the Trustee hereby agree as follows:

ARTICLE I DEFINITIONS

Section 1.1. Definitions. In addition to the terms defined in the first paragraph hereof and in the Recitals hereto and unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Trust Agreement, have the meanings herein specified.

“*2015 Tax-Exempt Agreement*” means the First Excise Tax Purchase Agreement (Tax-Exempt), dated as of _____ 1, 2015, by and between the City and the Trustee, in its capacity as “Seller.”

“*Additional Agency/Authority Loan Agreement*” means an agreement for any additional loan from GADA (as defined in the Purchase Agreement) or for any loan from WIFA subject to Section 49-1225(F) or 49-1245(F), Arizona Revised Statutes hereafter consummated.

“*Business Day*” means any day of the week other than a Saturday, Sunday or a day which shall be in the State a legal holiday or a day on which the Trustee is authorized or obligated by law or executive order to close or a day on which the Federal Reserve is closed.

“*City Representative*” means the City Manager, the City Finance Director or any other person authorized by the City Manager or the Mayor and Council to act on behalf of the City with respect to this Trust Agreement.

“*Closing Date*” means _____, 2015.

“*Corporate Trust Office*” means the office of the Trustee designated in Section 12.2 or any successor corporate trust office.

“*Costs of Issuance Fund*” means the fund of that name established pursuant to Article III hereof and held by the Trustee.

“*Defaulted Interest*” has the meaning provided in Section 2.10(d).

“*Defeasance Obligations*” means, to the extent permitted by law, (1) cash, (2) non-callable direct obligations of the United States of America (“*Treasuries*”), (3) evidences of ownership of proportionate interests in future interest and principal payments on *Treasuries* held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying *Treasuries* are not available to any person claiming through the custodian or to whom the custodian may be obligated, or any combination thereof.

“*Delivery Costs*” means all items of expense directly or indirectly payable by or reimbursable to the City or the Trustee relating to the sale and execution and delivery of the Purchase Agreement, this Trust Agreement and the Obligation, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee, financing discounts, legal fees and charges, insurance fees and charges, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Obligation and charges and fees in connection with the foregoing.

“*Depository Trustee*” means any bank or trust company, which may include the Trustee, designated by the City, with a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000) and subject to supervision or examination by federal or State of Arizona authority.

“*electronically*” or “*electronic method*” means, with respect to notice, one transmitted through a timesharing terminal, computer network or facsimile machine, if operative as between any two parties, or if not operative, by telephone (promptly confirmed in writing).

“*Escrow Trust Agreement*” means the Escrow Trust Agreement, dated as of _____ 1, 2015, between the City and the Escrow Trustee.”

“*Escrow Trustee*” means the Trustee, in its separate capacity as Escrow Trustee.

“*Event of Default*” means an event of default described in Section 9 of the Purchase Agreement.

“*Excise Taxes*” means the unrestricted transaction privilege (sales) taxes, business license and franchise fees, parks and recreation fees and permits and fines and forfeitures

the City imposes; provided that the Mayor and Council of the City may impose other transaction privilege taxes in the future, the uses of revenue from which will be restricted, at the discretion of such Council.

“Independent Counsel” means an attorney duly admitted to the practice of law before the highest court of the state in which such attorney maintains an office and who is not an employee of the City or the Trustee and which may include the counsel giving a Special Counsel’s Opinion.

“Interest Payment Date” means each January 1 and July 1, while principal related to the Obligation is outstanding provided that, pursuant to Section 9.6, if any such day is not a Business Day, any payment due on such date may be made on the next Business Day, without additional interest and with the same force and effect as if made on the specified date for such payment.

“Interest Portion” means the amounts of each of the Payments in the column in the Schedule attached to the Purchase Agreement designated “Interest,” denominated as and comprising the interest portion of the Payments pursuant to the Purchase Agreement and received by the Seller.

“Loan Repayment Agreement” means the Loan Repayment Agreement, dated as of June 1, 2009, between the City and GADA.

“Market Value” means the indicated bid value of the investment or investments to be valued as shown in The Wall Street Journal or any publication having general acceptance as a source of valuation of the same or similar types of securities or any securities pricing service available to or used by the Trustee and generally accepted as a source of valuation.

“Notification” shall have the meaning provided in Section 10.3(b).

“Owner” or any similar term, when used with respect to an Obligation means _____, or the entity provided in Section 2.8.

“Parity Lien Obligations” means an obligation issued on a parity with the First Loan Repayment Agreement and the Second Loan Repayment Agreement (including the 2015 Tax-Exempt Agreement), as permitted by Section 6 of the First Loan Repayment Agreement and the Second Loan Repayment Agreement, which includes Additional Agency/Authority Loan Agreements.

“Payment Fund” means the fund of that name established pursuant to Article V hereof and held by the Trustee.

“Payments” means the Payments required to be paid by the City pursuant to Subsection 1(b) of the Purchase Agreement and as set forth in the Schedule to the Purchase Agreement, subject to the provisions of Subsection 5.2(b).

“*Permitted Investments*” means any investment permitted by Section 35-323, Arizona Revised Statutes.

“*Purchase Agreement*” means the Second Excise Tax Purchase Agreement (Taxable), dated as of _____ 1, 2015, by and between the City and the Trustee, in its capacity as “Seller.”

“*Regular Record Date*” means the close of business on the fifteenth day of the month preceding each Interest Payment Date.

“*Responsible Officer*” means, when used with respect to the Trustee, the president, any vice president, any assistant vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, any senior associate, any associate or any other officer of the Trustee within the Corporate Trust Office customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred at the Corporate Trust Office because of such person’s knowledge of and familiarity with the particular subject and having direct responsibility for the administration of this Trust Agreement.

“*Special Counsel’s Opinion*” means an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the City.

“*Special Record Date*” has the meaning provided in Section 2.10(d).

“*State*” means the State of Arizona.

“*State Intercept of Funds*” means the withholding of the State Shared Revenues as provided in Sections 41-1554.06(L) and (M) and 41-1554.07(I), (J), and (K), Arizona Revised Statutes.

“*State Shared Revenues*” means any amounts of excise taxes, transaction privilege (sales) taxes and income taxes imposed by the State or any agency thereof and returned, allocated or apportioned to the City, except the City’s share of any such taxes which by State law, rule or regulation must be expended for other purposes such as motor vehicle fuel taxes.

Words importing persons include firms, associations and corporations, and the singular and plural forms of words shall be deemed interchangeable wherever appropriate.

Section 1.2. Interpretation.

(a) Any reference herein to the Mayor and Council of the City or any officer of the City shall include those succeeding to their functions, duties or responsibilities pursuant to or by operation of law or who are lawfully performing their functions.

(b) Unless the context otherwise indicates, words importing the singular shall include the plural and vice versa and the use of the neuter, masculine or feminine gender is

for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender.

(c) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof. References to “Articles” and “Sections” are to those in this Agreement.

Section 1.3. Obligation Not General Obligation of the City. The Obligation shall be payable solely out of the revenues and other security pledged hereby and shall not constitute an indebtedness or general obligation of the City within the meaning of any State constitutional provision or statutory limitation and shall never constitute or give rise to a pecuniary liability of the City or be a charge against the City’s general credit or a charge against the general credit or the taxing powers of the State or any political subdivision thereof.

ARTICLE II EXCISE TAX REVENUE OBLIGATION

Section 2.1. Authorization of the Obligation. The Trustee is hereby authorized and directed to execute and deliver to the Owner, the Obligation in the principal amount of \$_____,000, evidencing a one hundred percent (100%) proportionate ownership interest in the Payments. In no event shall the Obligation be deemed a liability, debt or obligation of the Trustee.

Section 2.2. Date; Interest Accrual. The Obligation shall be dated the Closing Date, and interest related thereto shall be payable from such date or from the most recent Interest Payment Date to which interest has previously been paid or made available for payment with respect to the Obligation.

Section 2.3. Payment Amount and Date and Interest Rate. The Obligation shall be payable on July 1, 20____, and interest represented thereby shall be computed at the rate of _____ percent (_____%).

Section 2.4. Interest on Obligation. Interest related to the Obligation shall be payable semiannually on January 1 and July 1 of each year commencing _____ 1, 20____, to and including the date of payment or prepayment of the amount of principal of the Obligation. Said interest shall represent the portion of the Payments designated as interest and coming due during the six-month period preceding each Interest Payment Date with respect to the Obligation. The proportionate share of the portion of the Payments designated as interest with respect to the Obligation shall be computed by multiplying the portion of Payments designated as principal with respect to the Obligation by the rate of interest applicable to the Obligation (on the basis of a 360-day year of twelve 30-day months).

Section 2.5. Form. The Obligation shall be in the form of one fully registered, physically certificated Obligation registered in the name of the Owner. The form of the Obligation shall be substantially in the form set forth in the Exhibit hereto.

Section 2.6. Execution. The Obligation shall be executed by and in the name of the Trustee by the manual signature of an authorized representative of the Trustee. If the representative whose signature appears on the Obligation ceases to be such representative before the Closing Date, such signature shall nevertheless be as effective as if the representative had remained in office until the Closing Date. The Obligation may be executed on behalf of the Trustee by such person as at the actual date of the execution of the Obligation shall be the proper authorized representative of the Trustee although at the nominal date of the Obligation such person shall not have been such authorized representative of the Trustee. The Obligation shall not be valid or become obligatory for any purpose or shall be entitled to any security or benefit under this Trust Agreement unless and until executed and delivered by the Trustee. The execution by the Trustee of any Obligation shall be conclusive evidence that the Obligation has been duly authorized and delivered hereunder and is entitled to the security and benefit of this Trust Agreement.

Section 2.7. Application of Proceeds. The proceeds received by the Trustee from the sale of the Obligation shall forthwith be transferred by the Trustee as follows, in the following order of priority:

(a) \$ _____ shall be deposited in the Costs of Issuance Fund
and

(b) \$ _____ shall be transferred to the Escrow Trustee for
purposes of the Escrow Trust Agreement.

Section 2.8. Transfer and Exchange. The Obligation may not be transferred or exchanged except as described in the next Section. However, the Trustee shall, within 30 days after a written request to the City Representative and a Responsible Officer from an authorized representative of the Owner provide for transfer of the Obligation to another party reasonably acceptable to the City Representative which shall then be considered the Owner for all purposes hereof. The City Representative shall provide the Trustee with written notice of the acceptance of such new Owner.

Section 2.9. Obligations Mutilated, Lost, Destroyed or Stolen. If the Obligation shall become mutilated, the Trustee, at the expense of the Owner, shall execute and deliver a new Obligation of like tenor and payment date and for the remaining unpaid principal amount in exchange and substitution for the Obligation so mutilated, but only upon surrender to the Trustee of the Obligation so mutilated. Any mutilated Obligation so surrendered to the Trustee shall be cancelled by it and redelivered to, or upon the order of, the Owner. If the Obligation shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and, if an indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner, shall execute and deliver a new Obligation of like tenor and payment date and for the remaining unpaid principal amount, numbered as the Trustee shall determine in lieu of and in substitution for the Obligation so lost, destroyed or stolen. The Trustee may require payment of an appropriate fee for each new Obligation delivered under this Section and of the expenses which may be incurred by the Trustee in carrying out the duties under this Section. Any Obligation issued under the provisions of this Section in lieu of any Obligation alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Trust Agreement with all other

Obligations secured by this Trust Agreement. The Trustee shall not be required to treat both the original Obligation and any replacement Obligation as being outstanding. Notwithstanding any other provision of this Section, in lieu of delivering a new Obligation for an Obligation which has been mutilated, lost, destroyed or stolen, and which has become due, the Trustee may make payment with respect to such Obligation upon receipt of the aforementioned indemnity.

Section 2.10. Payment.

(a) Payment of interest related to the Obligation on any Interest Payment Date shall be made to the Owner as of the Regular Record Date immediately preceding such Interest Payment Date.

(b) The principal and interest related to the Obligation shall be payable in lawful money of the United States of America.

(c) Interest and principal payable to the Owner shall be paid by wire transfer in immediately available funds to an account in the United States of America as directed by the Owner specifying the account address. The notice may provide that it shall remain in effect for subsequent payments until otherwise requested in a subsequent written notice. Notwithstanding the foregoing, the final payment of interest and principal to the Owner will be payable at the Corporate Trust Office upon surrender of the Obligation.

(d) Any interest related to the Obligation which is payable on, but is not punctually paid or duly provided for on, any Interest Payment Date (“Defaulted Interest”) shall forthwith cease to be payable to the Owner on the relevant Regular Record Date solely by virtue of such Owner having been such Owner. Such Defaulted Interest at the same rate as the Obligation shall thereupon be paid, together with interest thereon at the same rate per annum as such Defaulted Interest, by the Trustee (out of funds provided to it by the City) to the Owner at the close of business on a special record date for the payment of such portion of Defaulted Interest as may then be paid from the sources herein provided (the “Special Record Date”). When the Trustee has funds available to pay the Defaulted Interest and interest thereon, the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest and interest thereon which shall be not more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment by the Trustee. The Trustee shall promptly cause notice of the proposed payment of such Defaulted Interest and interest thereon and the Special Record Date therefor to be mailed, first class postage prepaid, to the Owner not less than ten (10) days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and interest thereon and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest and interest thereon shall be paid to the Owner on such Special Record Date.

(e) In the event the Obligation is not presented for payment at maturity, if moneys sufficient to pay the principal and interest related to the Obligation have been deposited pursuant hereto for such payment, all liability to the Owner thereof for the payment thereof will forthwith cease and be completely discharged, and thereupon it will be the duty of the Trustee to hold such moneys as provided herein, without liability for interest thereon, for the benefit of the Owner, who will thereafter be restricted exclusively to such moneys, for any claim of whatever nature on his part hereunder or on, or with respect to, the Obligation.

Section 2.11. Execution of Documents and Proof of Ownership.

(a) Any request, direction, consent, revocation of consent or other instrument in writing required or permitted by this Trust Agreement to be signed or executed by the Owner may be in any number of concurrent instruments of similar tenor, and may be signed or executed by the Owner in person or by its attorney or agent appointed by an instrument in writing for that purpose, or by any bank, trust company or other depository for the Obligation. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the ownership of the Obligation shall be sufficient for any purpose of this Trust Agreement (except as otherwise herein provided), if the fact and date of the execution by the Owner or the attorney or agent thereof of any such instrument and of any instrument appointing any such attorney or agent, may be proved by a certificate, which need not be acknowledged or verified, of an officer of any bank or trust company located within the United States of America, or of any notary public, or other officer authorized to take acknowledgments of deeds to be recorded in such jurisdictions, that the persons signing such instruments acknowledged the execution thereof. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of his authority.

(b) Nothing contained in this Article II shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which the Trustee may deem sufficient. Any request or consent of the Owner shall bind every future Owner in respect of anything done or suffered to be done by the Trustee in pursuance of such request or consent.

**ARTICLE III
COSTS OF ISSUANCE FUND**

Section 3.1. Establishment and Application of Costs of Issuance Fund.

(a) The Trustee shall establish a special trust fund designated as the “City of Safford Excise Tax Revenue Refunding Obligation Costs of Issuance Fund,” shall keep such fund separate and apart from all other funds and moneys held by it and shall administer such fund as provided in this Trust Agreement.

(b) Amounts in the Costs of Issuance Fund shall be disbursed for Delivery Costs. Disbursements from the Costs of Issuance Fund shall be made by the Trustee upon receipt of a requisition for disbursement (on which the Trustee is entitled to rely) executed or approved by the City Representative. Each such certificate shall set forth the amounts to be disbursed for payment, or reimbursement of previous payments, of Delivery Costs and the person or persons to whom said amounts are to be disbursed.

(c) On the earlier of _____ 1, 2015, or when all Delivery Costs associated with the Obligation have been paid (as shown by a certificate of a Town Representative, if requested by the Trustee), the Trustee shall transfer any amounts remaining in the Costs of Issuance Fund to the Payment Fund and the Costs of Issuance Fund shall be closed.

**ARTICLE IV
PREPAYMENT OF OBLIGATION**

Section 4.1. Prepayment Provisions. The Obligation is subject to prepayment from prepayments made by the City pursuant to Section 7 of the Purchase Agreement, in whole on any date, at a price equal to the principal amount thereof to be prepaid, together with accrued interest to the date fixed for prepayment, without a premium.[???

Section 4.2. Notice of Prepayment; Effect.

(a) The Trustee shall cause notice of the optional prepayment hereunder to be transmitted electronically to the Owner. Each such notice shall (1) be sent no more than 60 nor less than 30 calendar days prior to the prepayment date, (2) specify with respect to the Obligation the prepayment date and the prepayment price, (3) set forth the name, address and telephone number of the person from whom information pertaining to the prepayment may be obtained, and (5) state that on the prepayment date the Obligation will be payable at the Corporate Trust Office, that from that date interest will cease to accrue.

(b) If at the time of giving of notice of the optional prepayment of principal of the Obligation, there has not been deposited with the Trustee moneys or Defeasance Obligations sufficient to prepay the Obligation subject to such prepayment and the requirements of (d) below are not satisfied, then such notice shall state that the prepayment is conditional upon the deposit of moneys or Defeasance Obligations sufficient for the prepayment with the Trustee and satisfaction of such requirements not later than the opening of business on the prepayment date, and such notice will be of no effect and such Obligation shall not be prepaid unless such moneys or Defeasance Obligations are so deposited and such requirements in (d) below are met.

(c) Notice having been provided in the manner provided in (b) above, the Obligation shall become due and payable on the prepayment date and shall be paid at the prepayment price, plus accrued interest to the prepayment date.

(d) If the money or Defeasance Obligations for the prepayment of the Obligation to be prepaid, together with accrued interest thereon to the prepayment date, is held by the Trustee on the prepayment date, so as to be available therefor on that date, then from and after the prepayment date such principal thereof to be prepaid shall cease to bear interest, and the Obligation no longer shall be considered to be outstanding hereunder. If those moneys shall not be so available on the prepayment date, such principal shall continue to bear interest, until paid, at the same rate as they would have borne otherwise.

**ARTICLE V
PAYMENT FUND**

Section 5.1. Trustee's Rights in Purchase Agreement. The Trustee holds in trust hereunder all of its rights and duties in the Purchase Agreement, including but not limited to all of the rights to receive and collect all of the Payments and all other amounts required to be

deposited in the Payment Fund pursuant to the Purchase Agreement or pursuant hereto. All of the Payments and such other amounts to which the Seller may at any time be entitled shall be paid directly to the Trustee in trust, and all of the Payments collected or received by the Trustee shall be held by the Trustee in trust hereunder in the Payment Fund for the benefit of the Owner.

Section 5.2. Establishment and Application of Payment Fund.

(a) The Trustee shall establish a special trust fund designated as the “City of Safford Excise Tax Revenue Refunding Obligation Payment Fund.” So long as the Obligation is outstanding, the City shall have no beneficial right or interest in the Payment Fund or the moneys deposited therein, except only as provided in this Trust Agreement, and such moneys shall be used and applied by the Trustee as hereinafter set forth.

(b) Not less than thirty (30) Business Days prior to each Interest Payment Date, the Trustee shall notify the City of the amount required to be paid, after taking into account amounts which will be transferred to the Payment Fund in accordance herewith, on or before such Interest Payment Date, so that a sufficient amount will then be on deposit for both principal and interest related to the Obligation. All amounts received by the Trustee as Payments pursuant to the Purchase Agreement and transfers pursuant hereto shall be deposited in the Payment Fund.

(c) All amounts in the Payment Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal and interest related to the Obligation as the same shall become due and payable, in accordance with the provisions of Articles II and IV.

Section 5.3. Transfers of Investment Earnings to Payment Fund. Except as otherwise directed by the City, the Trustee shall, on or before the next Interest Payment Date occurring on July 1, transfer any income or profit on the investment of moneys in the funds hereunder to the Payment Fund.

Section 5.4. Surplus. Any surplus remaining in any of the funds created hereunder, after prepayment and payment or provision for prepayment and payment of the Obligation, including accrued interest and payment of any applicable fees, expenses or indemnities to the Trustee, or provision for such prepayment and payment having been made to the satisfaction of the Trustee, shall be withdrawn by the Trustee and remitted to the City.

ARTICLE VI
MONEYS IN FUNDS; INVESTMENT

Section 6.1. Held in Trust. The moneys and investments held by the Trustee under this Trust Agreement are irrevocably held in trust for the benefit of the Owner and for the purposes herein specified, and such moneys, and any income or interest earned thereon, shall be expended only as provided in this Trust Agreement and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of the City or the Owner.

Section 6.2. Investments Authorized. Upon written order of the City Representative, moneys held by the Trustee hereunder shall be invested and reinvested by the Trustee, to the maximum extent practicable in Permitted Investments having the highest yield reasonably obtainable. The City Representative shall direct such investment in specific Permitted Investments. The City Representative shall be solely responsible for ascertaining that all proposed investments and reinvestments are Permitted Investments and that they comply with federal, state and local laws, regulations and ordinances governing investment of such funds and for providing appropriate notice to the Trustee for the reinvestment of any maturing investment. Such investments, if registrable, shall be registered in the name of the Trustee and shall be held by the Trustee. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Section. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trustee may act as purchaser or agent in the making or disposing of any investment. The Trustee shall have no obligation to invest and reinvest any cash held by it hereunder in the absence of timely and specific written direction from the City Representative. In no event shall the Trustee be liable for the selection of investments. The Trustee may conclusively rely upon such written direction from the City Representative as to both the suitability and legality of the directed investments. The City acknowledges that regulations of the Comptroller of the Currency grant the City the right to receive brokerage confirmations of the security transactions as they occur, at no additional cost. To the extent permitted by law, the City specifically waives compliance with 12 C.F.R. 12 and hereby notifies the Trustee that no brokerage confirmations need be sent relating to the security transactions as they occur.

Section 6.3. Accounting. The Trustee shall furnish to the City, not less than semiannually, an accounting (which may be in the form of its customary statement) of all investments made by the Trustee. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with Section 6.2.

Section 6.4. Allocation of Earnings. Any income, profit or loss on such investments shall be deposited in or charged to the respective funds from which such investments were made, and any interest on any deposit of funds shall be deposited in the fund from which such deposit was made, except as otherwise provided herein. At the direction of the City Representative, any such income, profit or interest shall be transferred and applied if necessary to pay amounts due pursuant to section 148 of the Code.

Section 6.5. Valuation and Disposition of Investments. For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at Market Value. The Trustee may sell or present for redemption, any Permitted Investment so purchased by the Trustee whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from such investment.

Section 6.6. Limitation of Investment Yield. In the event the City is of the opinion that it is necessary to restrict or limit the yield on the investment of any amounts paid to or held by the Trustee hereunder in order to avoid the Obligation, being considered “arbitrage

bonds” within the meaning of section 148 of the Code, the City Representative may issue to the Trustee a written certificate to such effect (along with appropriate instructions), in which event the Trustee will take such action as is instructed so to restrict or limit the yield on such investment in accordance with the specific instructions contained in such certificate, irrespective of whether the Trustee shares such opinion.

ARTICLE VII THE TRUSTEE

Section 7.1. Appointment of Trustee. The City hereby authorizes and directs the Trustee to, and the Trustee shall, execute and deliver the Purchase Agreement, as Seller, and receive all moneys required to be deposited with the Trustee hereunder and shall allocate, use and apply the same as provided in this Trust Agreement. The City shall maintain as the Trustee a bank or trust company with a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000), and subject to supervision or examination by federal or State authority, so long as the Obligation is outstanding. If such bank or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to then for the purpose of this Section, the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Section 7.2. Liability of Trustee; Standard of Care. Except with respect to its authority and power generally and authorization to execute this Trust Agreement, the recitals of facts, covenants and agreements herein, in the Purchase Agreement and in the Obligation shall be taken as statements, covenants and agreements of the City, and the Trustee assumes no responsibility for the correctness of the same, or makes any representations as to the validity hereof or sufficiency of this Trust Agreement, the Purchase Agreement or the Obligation or shall incur any responsibility in respect hereof or thereof, other than in connection with the duties or obligations herein or in the Obligation assigned to or imposed upon it. Prior to the occurrence of an Event of Default, or after the timely cure of an Event of Default, the Trustee shall perform only such duties as are specifically set forth in this Trust Agreement and no implied obligations or covenants should be read into this Trust Agreement against the Trustee. After the occurrence of an Event of Default, the Trustee shall exercise such of the rights and powers vested in it, and use the same degree of care and skill in such exercise, as a prudent person would exercise under the circumstances in the conduct of the affairs of the Trustee.

Section 7.3. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall be eligible under Section 7.1, shall be the successor to the Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

Section 7.4. Protection and Rights of the Trustee.

(a) The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, request, consent, waiver,

certificates, statements, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of this Trust Agreement, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee shall not be bound to take any action at the request of the Owner unless the Obligation shall be deposited with the Trustee. The Trustee may consult with counsel with regard to legal questions, and the advice or opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith in accordance therewith.

(b) Whenever in the administration of its duties under this Trust Agreement, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) shall be deemed to be conclusively proved and established by the certificate of the City Representative and such certificate shall be full warranty to the Trustee for any action taken or suffered under the provisions of this Trust Agreement upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

(c) The Trustee may acquire and dispose of other bonds or evidence of indebtedness of the City with the same rights it would have if it were not the Trustee and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the Owner, whether or not such committee shall represent the Owner.

(d) The recitals, statements and representations by the City contained in this Trust Agreement, the Purchase Agreement or the Obligation shall be taken and construed as made by and on the part of the City and not by the Trustee, and the Trustee does not assume, and shall not have, any responsibility or obligation for the correctness of any thereof.

(e) The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder, and the Trustee shall not be answerable for the default or misconduct of any such attorney, agent, or receiver selected by it with reasonable care. The Trustee shall not be answerable for the exercise of any discretion or power under this Trust Agreement or for anything whatever in connection with the funds and accounts established hereunder, except only for its own willful misconduct or negligence.

(f) No provision in this Trust Agreement shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability (including, without limitation, any and all environmental liability) in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not reasonably assured to it.

(g) The Trustee shall not be accountable for the use or application by the City or any other party of any funds which the Trustee has released in accordance with the terms of this Trust Agreement.

(h) The Trustee makes no representation or warranty, express or implied, as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the City of the Airport Prior Projects. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Purchase Agreement or this Trust Agreement for the acquisition of the Airport Prior Projects.

(i) Notwithstanding any provision in this Trust Agreement or the Purchase Agreement to the contrary, the Trustee shall not be required to take notice or be deemed to have notice of an Event of Default, except an Event of Default under Section 9(a)(i)(A) of the Purchase Agreement, unless a Responsible Officer of the Trustee has actual notice thereof or is specifically notified in writing of such default by the City or the Owner.

(j) The Trustee agrees to accept and act upon instructions of directions pursuant to this Trust Agreement sent by unsecured email, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the City elects to give the Trustee email or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The City agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(k) The Trustee shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care. Force majeure shall include acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

(l) The permissive right of the Trustee to do things enumerated in this Trust Agreement shall not be construed as a duty, and the Trustee shall not be answerable for other than its negligence or willful default. The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the Airport Prior Projects.

(m) Before taking any action under this Trust Agreement relating to an Event of Default or in connection with its duties under this Trust Agreement other than making payments of principal and interest related to the Obligation as they become due, the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, including, but not limited to, any liability arising directly or indirectly under any federal, state or local statute, rule, law or ordinance related to the protection of the environment or hazardous substances and except liability which is adjudicated, to have resulted from its gross negligence or willful default in connection with any action so taken.

(n) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owner relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Trust Agreement.

Section 7.5. Compensation of Trustee. The City shall from time to time, pursuant to a fee schedule agreed to between the City and the Trustee (which schedule may be amended in writing), pay to the Trustee reasonable compensation for its services, including but not limited to advances to, and reasonable fees and expenses of, independent appraisers, accountants, consultants, counsel, agents and attorneys-at-law or other experts employed by it in the exercise and performance of its powers and duties hereunder. When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

Section 7.6. Removal and Resignation of Trustee.

(a) The City (but only if no Event of Default has occurred and is continuing) or the Owner, at any time upon thirty (30) days' prior written notice, and for any reason, may remove the Trustee and any successor thereto, but any such successor shall be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least Fifty Million Dollars (\$50,000,000) and subject to supervision or examination by federal or State authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or the requirements of any supervising or examining authority above referred to, then, for the purposes of this Section, the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) The Trustee may at any time resign by giving written notice to the City. Upon receiving such notice of resignation, the City shall promptly appoint a successor trustee by an instrument in writing; provided, however, that in the event that the City does not appoint a successor trustee within thirty (30) days following receipt of such notice of resignation or its giving notice of removal, the retiring Trustee may petition the appropriate court having jurisdiction to appoint a successor trustee. Any resignation or removal of the Trustee and appointment of a successor trustee shall become effective upon acceptance of appointment by the successor trustee. The Trustee and the City shall execute any documents reasonably required to effect the transfer of

rights and obligations of the Trustee to the successor trustee subject, however, to the terms and conditions herein set forth, including, without limitation, the right of the predecessor Trustee to be paid and reimbursed in full for its reasonable charges and expenses (including reasonable fees and expenses of its counsel) and the indemnification under Sections 7.4 and 10.3. Upon such acceptance, the successor trustee shall mail notice thereof to the Owner.

Section 7.7. Appointment of Agent. The Trustee may appoint an agent or agents to exercise any of the powers, rights or remedies granted to the Trustee under this Trust Agreement and to hold title to property or to take any other action which may be desirable or necessary.

Section 7.8. Commingling. The Trustee may commingle any of the funds held by it pursuant to this Trust Agreement in a separate fund or funds for investment purposes only; provided, however, that all funds or accounts held by the Trustee hereunder shall be accounted for separately notwithstanding such commingling by the Trustee.

Section 7.9. Records. The Trustee shall keep complete and accurate records of all moneys received and disbursed under this Trust Agreement, which shall be available for inspection by the City, or any of its agents, at any time, upon reasonable prior notice, during regular business hours. The Trustee shall provide the City Representative with semiannual reports of funds transactions and balances.

ARTICLE VIII MODIFICATION OR AMENDMENT OF AGREEMENTS

Section 8.1. Amendments Permitted.

(a) This Trust Agreement and the rights and obligations of the Owner and the Purchase Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental or amending agreement which shall become effective when the written consent of the Owner shall have been filed with the Trustee. No such modification or amendment shall modify any of the rights or obligations of the Trustee without its written assent thereto. Any such supplemental or amending agreement shall become effective as provided in Section 8.2.

(b) This Trust Agreement and the rights and obligations of the Owner, and the Purchase Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental or amending agreement, without the consent of the Owner, but only (1) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power herein reserved to the Trustee (for its own behalf) or the City, (2) to secure additional revenues or provide additional security or reserves for payment of the Obligation, (3) to comply with the requirements of any state or federal securities laws or the Trust Indenture Act of 1939, as from time to time amended, if required by law or regulation lawfully issued thereunder, (4) to provide for the appointment of a successor trustee pursuant to the terms hereof, (5) to preserve the power of the City to continue to issue bonds or incur obligations the interest on which is exempt from federal and State income taxes, (6) to cure, correct

or supplement any ambiguous or defective provision contained herein or therein, (7) with respect to rating matters or (8) in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable and which shall not materially adversely affect the interests of the Owner as evidenced by a Special Counsel's Opinion delivered by the City to the Trustee. Any such supplemental or amending agreement shall become effective upon execution and delivery by the parties hereto or thereto as the case may be. The Trustee may rely upon a Special Counsel's Opinion as conclusive evidence that any such supplemental or amending agreement complies with this Section.

Section 8.2. Procedure for Amendment With Written Consent of Owner.

(a) This Trust Agreement and the Purchase Agreement may be amended by supplemental or amending agreement as provided in this Section in the event the consent of the Owner is required pursuant to Section 8.1. A copy of such supplemental or amending agreement, together with a request to the Owner for its consent thereto, shall be mailed by the Trustee to the Owner, but failure to mail copies of such supplemental or amending agreement and request shall not affect the validity of the supplemental or amending agreement when assented to as provided in this Section 8.2.

(b) Such supplemental or amending agreement shall not become effective unless there shall be filed with the Trustee the written consent of the Owner and a notice shall have been mailed as hereinafter in this Section provided. The consent of the Owner shall be effective only if accompanied by proof of ownership of the Obligation, which proof shall be such as is permitted by Section 2.11. Any such consent shall be binding upon the Owner and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice hereinafter in this Section provided for has been mailed.

(c) After the Owner shall have filed its consent to such supplemental or amending agreement, the Trustee shall mail a notice to the Owner in the manner hereinbefore provided in this Section for the mailing of such supplemental or amending agreement of the notice of adoption thereof, stating in substance that such supplemental or amending agreement has been consented to by the Owner and will be effective as provided in this Section (but failure to mail copies of said notice shall not affect the validity of such supplemental agreement or consents thereto). A record, consisting of the papers required by this Section to be filed with the Trustee, shall be conclusive proof of the matters therein stated. Such supplemental or amending agreement shall become effective upon the mailing of such last-mentioned notice, and such supplemental or amending agreement shall be deemed conclusively binding upon the parties hereto and the Owner after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within sixty (60) days.

Section 8.3. Effect of Supplemental Trust Agreement. From and after the time any supplemental or amending agreement becomes effective pursuant to this Article VIII, this Trust Agreement or the Purchase Agreement, as the case may be, shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and the Owner, as the case may be, shall thereafter be determined, exercised and

enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any supplemental or amending agreement shall be deemed to be part of the terms and conditions of this Trust Agreement or the Purchase Agreement, as the case may be, for any and all purposes.

Section 8.4. Endorsement or Replacement of Obligations Delivered After Amendments. The Trustee may determine that any Obligation delivered after the effective date of any action taken as provided in this Article shall bear a notation, by endorsement or otherwise, in form approved by the Trustee, as to such action. In that case, upon demand of the Owner, a suitable notation shall be made on such Obligation. The Trustee may determine that the delivery of substitute Obligations, so modified as in the opinion of the Trustee is necessary to conform to the Owner's action, which substitute Obligation shall thereupon be prepared, executed and delivered. In that case, upon demand of the Owner, such substitute Obligation shall be exchanged at the Corporate Trust Office of the Trustee, without cost to the Owner, for the Obligation then outstanding, upon surrender of such outstanding Obligation.

Section 8.5. Amendatory Endorsement of Obligation. The provisions of this Article shall not prevent the Owner from accepting any amendment or supplement as to the Obligation, provided that proper notation thereof is made on the Obligation.

ARTICLE IX COVENANTS, NOTICES

Section 9.1. Compliance With and Enforcement of Purchase Agreement. The City shall perform all obligations and duties imposed on it under the Purchase Agreement and shall not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be an Event of Default. The City, immediately upon receiving or giving any notice, communication or other document in any way relating to or affecting any such action will deliver the same, or a copy thereof, to the Trustee.

Section 9.2. Observance of Laws and Regulations. The City shall well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States of America, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the City, including its right to exist and carry on business as a political subdivision, to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 9.3. Recordation and Filing. The City shall file this Trust Agreement (or a memorandum thereof or a financing statement with respect thereto), and all such documents as may be required by law (and shall take all further actions which may be necessary or be reasonably required by the Trustee), all in such manner, at such times and in such places as may be required by law in order fully to preserve, protect and perfect the security of the Trustee and the Owner.

Section 9.4. Further Assurances. The Trustee (at the reasonable request of the City) and the City shall make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Trust Agreement and the Purchase Agreement and for the better assuring and confirming unto the Owner the rights and benefits provided herein.

Section 9.5. Notification to the City of Failure to Make Payments. The Trustee shall notify the City of any failure by the City to make any Payment or other payment required under the Purchase Agreement to be made to the Trustee, in writing and within one (1) Business Day of any such failure. Such notice shall not be a prerequisite for the occurrence of an Event of Default.

Section 9.6. Business Days. Except as otherwise required herein, if this Trust Agreement or the Purchase Agreement requires any party to act on a specific day and such day is not a Business Day, such party need not perform such act until the next succeeding Business Day, and such act shall be deemed to have been performed on the day required.

ARTICLE X LIMITATION OF LIABILITY

Section 10.1. Limited Liability of the City. Except for the payment of Payments from the revenues from the Excise Taxes and the State Shared Revenues when due in accordance with the Purchase Agreement and the performance of the other covenants and agreements of the City contained in the Purchase Agreement and herein, the City shall have no pecuniary obligation or liability to any of the other parties or to the Owner with respect to this Trust Agreement or the terms, execution, delivery or transfer of the Obligation or the distribution of Payments to the Owner by the Trustee.

Section 10.2. No Liability of the City for Trustee Performance. The City shall have no obligation or liability to any of the other parties or to the Owner with respect to the performance by the Trustee of any duty imposed upon it under this Trust Agreement.

Section 10.3. Indemnification of the Trustee.

(a) To the extent permitted by law, the City shall indemnify and save the Trustee and its officers, directors, agents and employees, harmless for, from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses, arising out of: (1) the use, maintenance, condition or management of, or from any work or thing done on, the Airport Prior Projects or any portion thereof or interest therein by the City; (2) any breach or default on the part of the City in the performance of any of its obligations under this Trust Agreement and any other agreement made and entered into for purposes of the Airport Prior Projects or any interest therein; (3) any act of negligence of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Airport Prior Projects; (4) any act of negligence of any assignee of, or purchaser from, the City or of any of its or their agents, contractors, servants, employees or licensees with respect to the Airport Prior Projects; (5) the acquisition of the Airport Prior Projects or any interest therein; (6) the actions of any other party,

including but not limited to the operation or use of the Airport Prior Projects or interest therein by the City; (7) the ownership of the Airport Prior Projects or interest therein or (8) the exercise and performance by the Trustee of its powers and duties hereunder, under the Purchase Agreement or the Obligation or in connection with any document or transaction contemplated herewith or therewith. No indemnification will be made under this Section or elsewhere in this Trust Agreement for willful misconduct, negligence or breach of duty under this Trust Agreement by the Trustee, or by its officers, agents, employees, successors or assigns. As security for the payment of amounts due under Section 7.5 and this Section, the Trustee shall be secured under this Trust Agreement by a lien prior to that for the Obligation. The obligations of the City hereunder for indemnification under this Section shall remain valid and binding notwithstanding, and shall survive, the payment of principal related to the Obligation or resignation or removal of the Trustee or the termination of this Trust Agreement.

(b) Promptly after determining that any event or condition which requires or may require indemnification by the City hereunder exists or may exist, or after receipt of notice of the commencement of any action in respect of which indemnity may be sought hereunder, the Trustee shall notify the City in writing of such circumstances or action (the "Notification"). Failure to give such notification shall not affect the right of the Trustee to receive the indemnification provided for herewith. Upon giving of the Notification, the Trustee shall cooperate fully with the City in order that the City may defend, compromise or settle any such matters or actions which may result in payment by the City hereunder. The City shall give the Trustee notice of its election within fifteen (15) days after receiving the Notification whether the City, at its sole cost and expense, shall represent and defend the Trustee in any claim or action which may result in a request for indemnification hereunder. If the City timely gives the notice that it will represent and defend the Trustee thereafter, the Trustee shall not settle or compromise or otherwise interfere with the defense or undertakings of the City hereunder. The City shall not settle or compromise any claim or action against the Trustee without the written approval of the Trustee, except to the extent that the City shall pay all losses and the Trustee shall be fully released from such claim or action. If the City either fails to timely give its notice or notifies the Trustee that the City will not represent and defend the Trustee, the Trustee may defend, settle, compromise or admit liability as it shall determine in the reasonable exercise of its discretion, at the expense of the City. In the event the City is required to and does indemnify the Trustee as herein provided, the rights of the City shall be subrogated to the rights of the Trustee to recover such losses or damages from any other person or entity.

Section 10.4. Opinion of Counsel. Before being required to take any action, the Trustee may require an opinion of Independent Counsel acceptable to the Trustee, which opinion shall be made available to the other parties hereto upon request or a verified certificate of any party hereto, or both, concerning the proposed action. If it does so in good faith, the Trustee shall be absolutely protected in relying thereon.

ARTICLE XI

EVENTS OF DEFAULT AND REMEDIES OF OWNER

Section 11.1. Seller's Rights Held in Trust. As provided herein, the Trustee holds in trust hereunder all of the Seller's rights in and to the Purchase Agreement, including

without limitation all of the Seller's rights to exercise such rights and remedies conferred on the Seller pursuant to the Purchase Agreement as may be necessary or convenient to enforce payment of the Payments and any other amounts required to be deposited in the Payment Fund and enforcement of the pledge of the revenues from the Excise Taxes and the State Shared Revenues for the payment of the Obligation.

Section 11.2. Remedies Upon Default; No Acceleration. If an Event of Default shall happen, then and in each and every such case during the continuance of such Event of Default, the Trustee may, or upon request of the Owner and receiving indemnity satisfactory to it shall, exercise one or more of the remedies granted pursuant to the Purchase Agreement; provided, however, that notwithstanding anything herein or in the Purchase Agreement to the contrary, there shall be no right under any circumstances to accelerate the payment date of the Obligation or otherwise to declare any of the Payments not then past due or in default to be immediately due and payable.

Section 11.3. Application of Funds. All moneys received by the Trustee pursuant to any right given or action taken pursuant to the provisions of this Article XI or Section 9 of the Purchase Agreement shall be applied by the Trustee in the order following:

First, to the payment of the fees, costs and expenses of the Trustee and then of the Owner in declaring such Event of Default, including reasonable compensation to the Trustee's or the Owner's agents, attorneys and counsel and

Second, to the payment of the whole amount then owing and unpaid with respect to the Obligation and, in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the Obligation, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

Section 11.4. Institution of Legal Proceedings. If one or more Events of Default shall happen and be continuing, the Trustee in its discretion may, and upon the written request of the Owner, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Owner by a suit in equity or action at law for the specific performance of any covenant or agreement contained herein.

Section 11.5. Non-waiver. Except as otherwise provided in this Article, the Owner has the right to institute suit to enforce and collect the Payments as provided in the Purchase Agreement. No delay or omission of the Trustee or of the Owner to exercise any right or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by this Article to the Trustee or the Owner may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the Owner.

Section 11.6. Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon

the request of the Owner, it shall have full power, in the exercise of its discretion for the best interests of the Owner, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, without the consent of the Owner.

Section 11.7. Limitation on Owner's Right to Sue.

(a) The Owner shall not have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Trust Agreement, unless (1) the Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default hereunder; (2) the Owner shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (3) the Owner shall have tendered to the Trustee indemnity satisfactory to it against the costs, expenses, and liabilities to be incurred in compliance with such request and (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

(b) Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by the Owner of any remedy hereunder; it being understood and intended that the Owner shall not have any right in any manner whatever by its action to enforce any right under this Trust Agreement, except in the manner herein provided, and that all proceedings at law or in equity with respect to an Event of Default shall be instituted, had and maintained in the manner herein provided and for the benefit of the Owner.

(c) The right of the Owner to receive payment of said Owner's proportionate interest in the Payments as the same become due, or to institute suit for the enforcement of such payment, shall not be impaired or affected without the consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Trust Agreement.

**ARTICLE XII
MISCELLANEOUS**

Section 12.1. Defeasance.

(a) If and when any portion of the Obligation shall be paid and discharged in any one or more of the following ways:

(1) By paying or causing to be paid the principal and interest related to the Obligation, as and when the same become due and payable;

(2) By depositing with a Depository Trustee, in trust for such purpose, at or before the payment date therefor, money which, together with the amounts then on

contract, without penalty or further obligation, made by the City if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the City is, at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract. The cancellation shall be effective when written notice is received by all other parties to the contract unless the notice specifies a later time. The Trustee covenants not to employ as an employee, an agent or, with respect to the subject matter of this Trust Agreement, a consultant, any person significantly involved in initiating, negotiating, securing, drafting or creating this Trust Agreement on behalf of the City within three years from the execution of this Trust Agreement, unless a waiver of Section 38-511, Arizona Revised Statutes, is provided by the City. No basis exists for the City to cancel this Trust Agreement pursuant to Section 38-511, Arizona Revised Statutes, as of the date hereof.

(b) To the extent applicable under Section 41-440, Arizona Revised Statutes, the Trustee shall comply with all federal immigration laws and regulations that relate to its employees and its compliance with the “e-verify” requirements under Section 23-214(A), Arizona Revised Statutes. The breach by the Trustee of the foregoing shall be deemed a material breach of this Trust Agreement and may result in the termination of the services of the Trustee. The City retains the legal right to randomly inspect the papers and records of the Trustee to ensure that the Trustee is complying with the above-mentioned warranty. The Trustee shall keep such papers and records open for random inspection during normal business hours by the Trustee. The Trustee shall cooperate with the random inspections by the City including granting the City entry rights onto its property to perform such random inspections and waiving its respective rights to keep such papers and records confidential.

Section 12.4. Governing Law. This Trust Agreement shall be construed and governed in accordance with the laws of the State.

Section 12.5. Binding Effect and Successors. This Trust Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. Whenever in this Trust Agreement either the City or the Trustee is named or referred to, such reference shall be deemed to include successors or assigns thereof, and all the covenants and agreements in this Trust Agreement contained by or on behalf of the City or the Trustee shall bind and inure to the benefit of their respective successors and assigns thereof whether so expressed or not.

Section 12.6. Execution in Counterparts. This Trust Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same Trust Agreement.

Section 12.7. Destruction of Cancelled Obligations. Whenever in this Trust Agreement provision is made for the surrender to or cancellation by the Trustee and the delivery to the City of the Obligation, the Trustee may destroy the Obligation and, upon the City’s request, deliver a certificate of such destruction to the City instead.

Section 12.8. Headings. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for

convenience of reference and shall not affect the meaning, construction or effect of this Trust Agreement. All references herein to “Articles,” “Sections,” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Trust Agreement; and the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Trust Agreement as a whole and not to any particular Article, Section or subdivision hereof.

Section 12.9. Parties Interested Herein. Nothing in this Trust Agreement or the Obligation, expressed or implied, is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the City, the Trustee and the Owner, any legal or equitable right, remedy or claim under or by reason of this Trust Agreement or any covenant, condition or stipulation hereof, and all covenants, stipulations, provisions and agreements in this Trust Agreement contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Trustee and the Owner.

Section 12.10. Waiver of Notice. Whenever in this Trust Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 12.11. Severability of Invalid Provisions. In case any one or more of the provisions contained in this Trust Agreement or in the Obligation shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability shall not affect any other provision of this Trust Agreement, and this Trust Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The parties hereto hereby declare that they would have entered into this Trust Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the delivery of the Obligation pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Trust Agreement may be held illegal, invalid or unenforceable.

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

_____, as Trustee

By.....

Printed Name:

Title:.....

CITY OF SAFFORD, ARIZONA

By.....

Mayor

ATTEST:

.....
Town Clerk

EXHIBIT

(Form of Obligation)

Number: R-.....

Principal Amount: \$.....

CITY OF SAFFORD, ARIZONA
EXCISE TAX REVENUE REFUNDING
OBLIGATION (TAXABLE), SERIES 2015

Interest Rate: Payment Date: Dated Date:
.....% July 1, 20..... _____, 2015

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

THIS IS TO CERTIFY THAT the registered owner identified above, or registered assigns, as the registered owner of this Excise Tax Revenue Refunding Obligation, Series 2015 (this "Obligation") is the owner of all of the interests in the right to receive certain "Payments" under and defined in that certain Second Excise Tax Purchase Agreement (Taxable), dated as of _____ 1, 2015 (the "Purchase Agreement"), by and between (the "Trustee"), and the City of Safford, Arizona, a municipal corporation under the laws of the State of Arizona (the "Town"), which Payments and other rights and interests under the Purchase Agreement are held by the Trustee in trust under that certain Second Excise Tax Trust Agreement (Taxable), dated as of _____ 1, 2015 (the "Trust Agreement"), by and between the City and the Trustee. The Trustee maintains a corporate trust office for transfer of this Obligation (the "Designated Office").

The registered owner of this Obligation is entitled to receive, subject to the terms of the Purchase Agreement, on the payment date set forth above, the principal amount set forth above, representing a portion of the payments due designated as principal coming due, and to receive semiannually on January 1 and July 1 of each year commencing _____ 1, 20__ (the "Interest Payment Dates"), until payment in full of said portion of principal or prepayment prior thereto, the registered owner's proportionate share of the portion of the Payments designated as interest coming due during the period commencing on the last date on which interest was paid and ending on the day prior to the Interest Payment Date or, if no interest has been paid, from the Dated Date specified above. Said interest is the result of the multiplication of said principal by the interest rate per annum set forth above. Interest shall be calculated on the basis of a 360-day year composed of twelve (12) months of thirty (30) days each.

Principal and interest related to this Obligation and the other amounts due with respect hereto are payable in lawful money of the United States of America by wire transfer in immediately available funds, except that the final payment of principal and interest, when due, will be paid upon surrender of this Obligation at the Designated Office.

The Trustee has no obligation or liability to the registered owner of this Obligation for the payment of interest or principal related to this Obligation. The Trustee's sole obligations are to administer, for the benefit of the registered owner of this Obligation, the various funds and accounts established pursuant to the Trust Agreement. (The recitals, statements, covenants and representations made in this Obligation shall be taken and construed as made by and on the part of the City, and not by the Trustee, and the Trustee does not assume, and shall not have, any responsibility or obligation for the correctness of any thereof.)

This Obligation has been executed and delivered by the Trustee pursuant to the terms of, and for the purposes described in, the Trust Agreement. The City is authorized to enter into the Purchase Agreement and the Trust Agreement under the laws of the State of Arizona and by resolution of the Mayor and Council of the City adopted January 12, 2015. Reference is hereby made to the Purchase Agreement and the Trust Agreement (copies of which are on file at the Designated Office) for further definitions, the terms, covenants and provisions pursuant to which this Obligation is delivered, the rights thereunder of the registered owner of this Obligation, the terms under which the Trust Agreement or the Purchase Agreement may be modified or supplemented, the rights, duties and immunities of the Trustee and the security for, and the rights and obligations of the City under the Purchase Agreement (including with respect to certain obligations secured on a prior lien basis, and to be secured on a parity lien basis, with the security for the Payments and to certain limitations on such security), to all of the provisions of which Purchase Agreement and Trust Agreement the registered owner of this Obligation, by acceptance hereof, assents and agrees. (To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement and the Purchase Agreement may be amended by the parties thereto with the written consent of the owner the Obligation, and may be amended without such consent under certain circumstances but in no event such that the interest of the owner of the Obligation is adversely affected, provided that no such amendment shall impair the right of the owner to receive in any case the owner's proportionate share of any Payment thereof in accordance with this Obligation.)

The obligation of the City to make the Payments does not represent or constitute a general obligation of the City for which the City is obligated to levy or pledge any form of taxation nor does the obligation to make the Payments under the Purchase Agreement constitute an indebtedness of the City, the State of Arizona or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction or otherwise.

Neither the Trustee nor the registered owner of this Obligation shall have any right under any circumstances to accelerate the payment date of this Obligation or otherwise declare any of the Payments not then past due or in default to be immediately due and payable. (This Obligation represents an interest in a limited obligation of the City (as described herein), and no member of the Mayor and Council, officer or agent, as such, past, present or future, of the City shall be personally liable for the payment hereof.)

This Obligation is executed and delivered only in fully registered form and shall not be transferable or exchangeable, except as provided in the Trust Agreement.

The Trustee may require a registered owner, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes or governmental charges required by law in connection with the exchange or transfer.

The registered owner of this Obligation shall have no right to enforce the provisions of the Trust Agreement or the Purchase Agreement or to institute any action to enforce the covenants thereof, or to take any action with respect to a default thereunder or hereunder, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Trust Agreement.

Principal of this Obligation is subject to prepayment in whole on any date, at a price equal to the principal amount to be prepaid, together with accrued interest to the date fixed for prepayment without a premium.

The Trustee shall give notice of any prepayment of this Obligation as provided above no more than 60 nor less than 30 calendar days prior to the prepayment date to the registered owner at its address shown on the registration books maintained by the Trustee. A certificate of the Trustee shall conclusively establish the mailing of any such notice for all purposes.

If at the time of mailing of the notice of prepayment there has not been deposited with the Trustee moneys or eligible securities sufficient to prepay and other requirements set forth in the Trust Agreement are not met, such notice shall state that it is conditional, subject to the deposit of moneys sufficient for the prepayment and satisfaction of such conditions. If the principal of the Obligation is subject to prepayment and if on the prepayment date moneys for the prepayment thereof are held by the Trustee and those other conditions are met, thereafter such principal to be prepaid shall cease to bear interest, and shall cease to be secured by, and shall not be deemed to be outstanding under, the Trust Agreement.

This Obligation shall not be entitled to any security or benefit under the Trust Agreement until executed by the Trustee.

IN WITNESS WHEREOF, this Obligation has been executed and delivered by the Trustee, acting pursuant to the Trust Agreement.

Date of Execution:

....., as Trustee

By.....
Authorized Representative

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned (the "Transferor"), hereby sells, assigns and transfers unto (the "Transferee"), whose address is and whose social security number (or other federal tax identification number) is

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF TRANSFEREE

.....
.....

the within certificate and all rights thereunder, and hereby irrevocably constitutes and appoints as attorney to register the transfer of the within certificate on the books kept for registration and registration of transfer thereof, with full power of substitution in the premises.

Date:

.....
NOTICE: No transfer will be registered and no new certificate will be issued in the name of the Transferee, unless that signature(s) to this assignment correspond(s) with the name as it appears on the face of the within certificate in every particular, without alteration or enlargement or any change whatever and name, address and the Social Security Number or federal employee identification number of the Transferee is supplied.

The following abbreviations when used in the inscription on the face of the within certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

- TEN COM - as tenants in common
- TEN ENT - as tenants by the entireties
- JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT/TRANS MIN ACT - Custodian for
(Cust.) (Minor)

under Uniform Gifts/Transfers to Minors Act of
(State)

Additional abbreviations may also be used though not in list above.