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October 21, 2005

VIA FACSIMILE (928)775-6740 AND U.S. MAIL

Cynthia and Thomas Franklin
Franklin Phonetic Primary School
6151 Copper Hill Drive
Prescott Valley, AZ 86314

Re: Phase 1 Prescott Valley Parkway Redevelopment Project

Dear Cindy and Tom:

I contacted Gwen Rowitsch with the Town of Prescott Valley and Michael Cafiso with Greenberg Traurig (attorney for Prescott Valley) regarding the Redevelopment Project, and specifically about the Special Assessment Bonds versus the General Obligation Bonds.

Ms. Rowitsch indicated thus far that her office has received more support for approving the Redevelopment Project than opposition to it. When asked whether people are opting to choose the Special Assessment Bonds or the General Obligation Bonds, she indicated the majority are selecting the General Obligation Bonds. This is in part because commercial owners can pass the cost through to their tenants, but also because the deal financially works better for them to extend the payoff over time.

As it relates to Franklin Phonetic, however, the more important factor is how tax exempt property tax status comes into play with deciding which financing option to select. If you agree to vote in favor of the Redevelopment Project, you want to select the General Obligation Bonds financing option. General Obligation Bonds are not assessed against tax exempt property. This would allow us to work towards the tax-exempt determination on the properties with the County as they currently are owned, or proceed with selling the properties to the school to eliminate any question of tax exemption.

You do not want the Redevelopment Project to be funded with Special Assessment Bonds, as these types of bonds do not provide relief for tax exempt property. Special Assessment Bonds are driven by statute and are assessed against any property that is not governmentally

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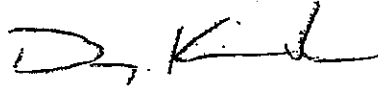
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owned. While there may be an argument if the properties are sold to the school that a governmental entity or subdivision thereof owns the property, the strength of such an argument is questionable, and it would be expensive to pursue. Unless we are faced with the issue, it is best to fight for the General Obligation Bonds at this time.

Assuming you have not changed your mind on participating in the Redevelopment Project, we recommend selecting General Obligation Bonds as the financing option to fund the project. Based on representations from both Ms. Rowitsch and Mr. Cafiso, approving this plan and getting things moving is not something that will take place over night. Ms. Rowitsch indicated that a construction beginning date could be as late as next fall. Mr. Cafiso agreed that the process would take some time. That said, we have time to work on the tax exempt status/transfer of the properties/bond financing issues in the interim. At this time, however, please feel free to complete and sign the form you received indicating your election to participate in the Redevelopment Project. And remember, choose the General Obligation Bonds option for funding.

If you have any questions or concerns, please do not hesitate to contact our office.

Respectfully,

A handwritten signature in black ink, appearing to read "D. J. Kunath". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Douglas J. Kunath