

**CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
CREATION AGREEMENT**

BETWEEN

THE CENTRAL YAVAPAI FIRE DISTRICT

and

THE CHINO VALLEY FIRE DISTRICT

Dated _____, 2015

**CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY
AGREEMENT**

THIS CENTRAL ARIZONA FIRE AND MEDICAL AUTHORITY AGREEMENT (“Agreement”) is made and entered into this ____ day of _____, 2015, by and among THE CENTRAL YAVAPAI FIRE DISTRICT (“CYFD”) and THE CHINO VALLEY FIRE DISTRICT (“CVFD”), both of which are special taxing districts and political subdivisions of the State of Arizona, operating pursuant to Chapter 5, Title 48 of the Arizona Revised Statutes (each individually a “Party” and together, the “Parties”).

RECITALS

A. The Parties are both fire protection districts located within Yavapai County, and each is authorized to provide and providing fire protection and emergency medical and rescue services, enforcement of fire prevention codes, hazardous materials response, and other emergency services authorized by statute and typically provided by a public fire department.

B. Arizona Revised Statute §48-805.B.16 authorizes the parties to enter into intergovernmental agreements for the joint and cooperative provision of services as outlined above.

C. A.R.S. §48-805.01 authorizes public agencies like the parties to cooperate and contract with one another to create a separate legal entity to provide any function, service, or facility lawfully authorized to each, and to establish the separate legal entity to do so.

D. The Parties have previously entered into numerous contractual agreements and cooperative arrangements to jointly provide public services, including, but not limited to the Joint Management Agreement dated 19 June, 2014, the Chief’s Services contract, the Fire Inspector Services contract, the Fleet Maintenance Services contract, the Automatic and Mutual Aid Agreements between them, and others.

E. The Parties, because of their long standing, effective, and efficient cooperative arrangements to jointly provide public services, desired to evaluate the public benefits of more fully integrating their services. They therefore began the process of analyzing a possible merger or consolidation of the parties’ services or the creation of a new joint powers authority to provide such services. That analysis culminated in the June 2015 White Paper submitted to the respective elected Fire Boards of the parties. The White Paper details that a merger of the Parties into a single fire protection district is not feasible at this time, but that the creation of a joint powers authority is both feasible and desirable. The White Paper specifically finds that the creation of a joint powers authority is operationally and financially feasible.

Moreover, the financial models and detailed analyses completed by staff indicate that the fiscal outlook for each department is much stronger under a joint powers authority model than if they continue to operate independently, and that careful fiscal management may produce even greater savings than projected in the analysis.

F. To achieve the additional public benefits described in the White Paper and completely integrate all aspects of their operations, administration, and services through the formation of a fire rescue authority to provide all of the services previously being provided separately by each of the Parties, the Parties propose to enter into this Central Arizona Fire and Medical Authority Creation Agreement and thereby to create the Central Arizona Fire and Medical Authority (hereinafter the "Authority") as of the date hereinabove set forth (the "Agreement").

G. The Parties contemplate that the Agreement will provide that all personnel currently employed by the Parties would become employees of the Authority by no later than July 1, 2016; will provide for the Authority to establish, manage, and oversee pension funds and plans for all new employees and all employees whose employment was transferred by either of the Parties and who continue to participate in a pension fund; and will provide for the transfer of all assets owned by the Parties and debts, if any, held by either Party to the new Fire Authority by no later than July 1, 2016. It is further contemplated that to preserve the Fire District Assistance Tax ("FDAT") payments that each of the Parties hereto currently receives, each of the Parties hereto will continue to exist as a separate taxing authority under the Arizona Revised Statutes.

H. Article VIII, Section F of the Agreement provides that the Agreement may be amended by a written document approved and signed by the duly authorized Board of Directors (hereinafter, the "Fire Board" or "Directors") of each of the Parties.

NOW THEREFORE, for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Parties hereby agree as follows:

I. Creation of the Authority.

The Parties hereby create a separate legal entity known as the Central Arizona Fire and Medical Authority (the "Authority") which shall have the powers, authorities, duties, privileges, immunities, rights and responsibilities of a subdivision of the State of Arizona, and shall be organized and operated with all the authorities and responsibilities of and to provide the services authorized to a fire protection district organized and operated pursuant to Article 5, Title 48, of the Arizona Revised Statutes.

A. Nature of the Authority. The Authority is a separate legal entity organized pursuant to Arizona Revised Statutes §48-805.01. In carrying out its purposes, the Authority will observe and comply with statutes and laws applicable to a fire protection district, including but not limited to Articles I, 2, and 3 of Title 48, Chapter 5, regarding Fire Districts, Title 38, §38-101 et seq., regarding Public Officers and

Employees, Title 35 regarding Public Finances, Title 36 regarding Public Safety, and others. The Authority boundaries shall consist of the combined jurisdictional and contractual territorial boundaries of the Parties hereto as of the date of execution of this Agreement.

B. Principal Place of Business. The principal place of business of the Authority shall be 8555 E. Yavapai Road, Prescott Valley, AZ 86314, unless otherwise established by the Authority Board of Directors.

C. Authority Purposes Functions and Services. The purposes of the Authority are as set forth in Arizona Revised Statutes §48-805 and §48-805.01, et seq., as amended from time to time.

II. Governance.

A. Board of Directors of the Authority. The governing body of the Authority shall be its appointed Board of Directors, in which all administrative and legislative power of the Authority is vested.

1. Number. The Board of Directors shall be comprised of five (5) Directors. Each Director shall be entitled to cast one vote on any matter that comes before the Board.

2. Appointment. The separately elected Fire Board of each of the Parties hereto shall be elected by the public in accordance with the Arizona Revised Statutes and in the manner currently approved for such elections. Of those elected Fire Board members, each Fire Board shall appoint two (2) Directors to the Authority Fire Board from among themselves as they may determine. Each Director appointed by a Party shall be a member of and shall serve at the pleasure of the Fire Board of the Party by whom the Director is appointed.

Initial appointments to the Authority Board of Directors shall be for a one- year term. Unless otherwise prohibited by law, in the initial one-year term, the Parties' respective Chairs and Clerks shall serve on the Board of Directors of the Authority. The four (4) Directors appointed by the Parties shall select and appoint a fifth (5th) Director.

After the initial one year term, the term of service of an Authority Director shall be for two years or four years as aligned with the election cycle of such appointed Authority Director. Should the Parties be deadlocked concerning the appointment of a fifth member, the Party making the largest financial contribution to the Joint Powers Authority budget shall appoint the fifth Director from the remaining qualified Directors of either Party hereto.

3. Removal. Any Authority Director may be removed by the vote of a majority of the Board of Directors of the Party that appointed that Director, with

or without cause, whenever in its judgment the best interests of the Authority will be served thereby.

4. Vacancies. A position of Director on the Board of Directors of the Authority shall be deemed vacant on the following basis: in accordance with the terms of A.R.S.§38-291; in the case of a Director appointed by a Party, upon such Director's disqualification as a member of the Party's Board of Directors; and in the case of the Director appointed by the other Directors, no longer being an eligible elector of either Party. A vacancy on the Authority Board of Directors shall be filled in the same manner as appointment of a Director as hereinabove provided.

5. Compensation. Directors shall receive no compensation for their service to the Authority, in accordance with Arizona Revised Statutes. The Board of Directors of the Authority shall provide for reimbursement to the Directors of their actual and reasonable expenses incurred on behalf of the Authority, if any.

6. Decisions. Decisions of the Board of Directors of the Authority may be made only at regular or special meetings, called upon notice as required under law, at which a quorum is present. A quorum for the conduct of business at meetings of the Board of Directors shall be a simple majority of the Directors. If less than a quorum is present, the Directors present must adjourn the meeting, provided further that the Clerk or his or her designee shall notify any absent Directors of the time and place of such adjourned meeting. Except as otherwise expressly provided herein or required by law, decisions of the Board of Directors shall be made by a simple majority of the quorum of Directors present.

B. Meetings.

1. Regular Meetings. Regular meetings shall be scheduled and held in accordance with the requirements of A.R.S. §48-805 A.1. Unless otherwise determined by the Board of Directors of the Authority, regular meetings of the Board of Directors shall be conducted not less than monthly at a location to be selected by the Authority which shall be identified in any notice of such meetings. Given the geographic area covered by the Authority, the board may opt to move meetings between geographic locations as long as the location of the meeting is posted at least 24 hours in advance.

2. Meeting Quorums. A quorum for the conduct of business at meetings of the Authority Board of Directors shall be a simple majority of the Directors. If less than a quorum is present, the Directors present must adjourn the meeting, provided further that the Clerk or his or her designee shall notify any absent Directors of the time and place of such adjourned meeting.

3. Special Meetings. Special meetings of the Authority Board of Directors may be called by the Chair or any two (2) Directors, and it shall thereupon be the duty of the Clerk or his or her designee to cause notice of such meeting to be

given as required by law. Special meetings of the Authority Board of Directors shall be held at such time and place as shall be fixed by the Chair or Directors calling the meeting.

4. Notice of Meetings. Barring an emergency, written notice of any special meeting of the Authority Board of Directors shall be delivered to each Director not less than 24 hours before the date fixed for such meeting, either personally, by facsimile, by e-mail, or by mail, by or at the direction of the Clerk or his or her designee, or upon the Clerk's default, by the person calling the meeting. If mailed, such notice shall be deemed to be delivered following deposit in the United States mail, addressed to the Director at the Director's address as it appears on the records of the Authority, with first-class postage thereon prepaid.

5. Waiver of Notice. Whenever any notice is required to be given to any Authority Director under the provisions of law or this agreement, a waiver thereof in writing by such Director, whether before or after the time stated therein, shall be equivalent to the giving of such notice. Attendance of a Director at any meeting of the Authority Board of Directors shall constitute a waiver by such Director of notice of such meeting, except when such Director attends such meeting for the express purpose of objecting to the transaction of any business because the meeting is not properly convened.

C. Duties of the Board. The duties of the Authority Board of Directors shall be as set forth in the Authority Board Policy Manual, as amended from time to time.

D. Officers. The officers of the Authority Board of Directors shall be a Chair, Clerk, and such other officers and assistant officers as may be authorized by the Board of Directors to perform such duties as may be approved by the Authority Board. The Authority Chair and Clerk shall be members of the Authority Board of Directors.

1. Term of Office. The officers of the Authority shall serve their terms as officers in accordance with the requirements of Arizona Revised Statutes §48-803 (E). Unless otherwise prohibited by law, in the initial one-year term, the Parties' respective Chairs and Clerks shall serve on the Board of Directors of the Authority.

2. Removal. Any officer (i.e., Chair or Clerk) appointed by the Board of Directors of the Authority may be removed by the vote of a majority of the Board of Directors of the Authority, with or without cause, whenever in its judgment the best interests of the Authority will be served thereby. Further, an Authority officer will be removed in the event that he or she is removed as an Authority Director by a vote of the majority of the Directors of the Party that appointed such Director.

3. Duties of Officers. In addition to duties designated by the Authority Board of Directors, the duties of the officers shall include the following:

a. Chair. The Chair shall be a member of the Board of Directors and preside at all meetings of the Authority Board of Directors and, except as otherwise delegated by the Board, shall execute all legal instruments of the Authority.

b. Clerk. The Clerk shall be a member of the Authority Board of Directors and, in the absence of the Chair or in the event of his or her inability or refusal to act, shall perform the duties of the Chair, and when so acting, shall have all the powers of and be subject to all restrictions upon the Chair.

E. Absences. In the event an Authority Director misses three consecutive Authority Board meetings, that Authority Director shall be deemed to have vacated his or her position as an Authority Director pursuant to Arizona Revised Statutes §38-291. Thereafter, the Party that appointed the Authority Director deemed to have vacated his or her position shall select a replacement for that Director from the remaining eligible Fire Board members of either of the Parties' Fire Boards. The replacement Authority Director shall serve in accordance with that particular Director's term under his or her Party Fire Board election cycle.

Additionally, an Authority Director will be deemed to have vacated his or her Director's position on the Authority Board in the event that Director misses three consecutive meetings of the Board of Directors of the Party that appointed such Director pursuant to Arizona Revised Statutes §38-291. It is the Parties' intention that a Director may be found to have vacated his or her Authority Director's position if the facts so reflect, but may not have necessarily vacated his or her position as a Director of a Party Board of Directors.

A Director may not remain on the Authority Board of Directors if he or she has vacated his or her Director's position on the Board of Directors of the Party that appointed him or her to the Authority Board.

F. Indemnification. Without waiving the protections, limitations, and requirements of the Arizona Tort Claims Act, Title 12, Arizona Revised Statutes, or other applicable law:

1. Insurance. The Authority will purchase its own general liability insurance and directors' and officers' errors and omissions liability insurance in such amounts of coverage as the Authority Board deems necessary.

2. Defense Costs. Each Authority Board of Directors member, officer, agent, employee, and volunteer of the Authority, as well as of the Parties hereto, shall be indemnified by the Authority against all costs and expenses actually and necessarily incurred by such person or Party in connection with the defense of any allegation, action, suit, or proceeding arising out of an act or omission of such person or Party during the performance of such person's or Party's duties and within the scope of such person's or Party's appointment or responsibility to the Authority, unless:

a. Outside Scope of Duties. It is determined by a competent court that the alleged act or omission by an Authority Board of Directors member, officer, agent, employee, or volunteer of the Authority or of a Party hereto did not arise during the performance of his or her duties and within the scope of his or her employment or that the act or omission of such employee was willful and wanton, then such person or Party will be required to reimburse the Authority for its reasonable costs and reasonable attorney fees incurred in the defense of such person; or

b. Settlement without Consent. The person or Party in question compromises or settles the claim without the consent of the Authority.

3. Settlement with Consent. In the event of settlement with consent, then such costs and expenses shall include amounts reasonably paid, with the consent of the Authority, in settlement for the purpose of curtailing the cost of litigation.

4. Non-Exclusive Rights. The foregoing right of indemnification shall not be exclusive of other rights to which such person or Party may be entitled as a matter of law or by agreement.

G. Execution of Contracts. Except as otherwise provided by law, the Authority Board of Directors may authorize any Board member to enter into any contract, or execute and deliver any instrument in the name and on behalf of the Authority pursuant to A.R.S. §48-805.

III. Financial.

A. Negotiable Instruments. All checks, drafts or other orders for payment of money on behalf of the Authority shall be issued in the name of the Authority, and in such manner as, from time to time, shall be assigned to the Authority upon execution of this Agreement. If retained by the Authority at the time of termination of this Agreement, any such checks, drafts or other orders for payment of money shall immediately be returned to the Party that assigned them to the Authority.

B. Deposits. All funds of the Authority shall be deposited, from time to time, to the credit of the Authority, pursuant to law, in such bank or banks or other financial institutions as the Board of Directors of the Authority may select.

C. Fiscal Year. The fiscal year of the Authority shall be July 1 through June 30.

D. Debt Not That of Parties. The bonds, notes and other obligations of the Authority, if any, shall not be the debts, liabilities or obligations of the Parties, unless provided by written consent of the Parties in compliance with law.

Further, to the extent that a Party hereto has or will accrue a liability or obligation arising from any bonds, notes, or other obligations, such liability or obligation shall remain the liability or obligation of the Party incurring same, and shall

not be the debt, liability or obligation of the Authority unless otherwise agreed in writing by the Parties and the Authority in accordance with law.

E. Funds of Parties. The Parties shall convey to the Authority all of their funds and revenues in excess of the amount each of the respective Fire Boards of the Parties determine to reserve for their own Fire Board purposes, including but not limited to necessary legal, accounting, administrative and/or election expenses, bond repayment requirements, and/or other expenses each may incur as provided by law and as determined by staff and approved in the annual budget process by the Fire Boards of the Parties on July 1, 2016, and as they are thereafter received. Following July 1, 2016, each Party shall review its revenues on a monthly basis and pay to the Authority all of its revenues in excess of the amount established pursuant to this section in accordance with law, no later than fifteen (15) days following its regular review thereof. All funds conveyed to the Authority shall be payments to defray the costs incurred by the Authority to provide fire rescue and emergency services within and without the Parties' jurisdictions in accordance with their legal responsibilities.

F. Interim Authority Expenses. Any expenses incurred by the Authority between the date of the execution of this Agreement and its implementation date of July 1, 2016, shall be subject to funding requests to be timely approved by the Fire Boards of the Parties in their reasonable discretion.

G. Tax Levy Rates. Unless otherwise agreed to in writing by the Parties, the Parties shall, on an annual basis, maintain and properly certify for collection within their respective boundaries pursuant to the Local Government Budget Law ad valorem property taxes at the rates and for the time periods as required by law.

IV. Assignment of Assets, Debts, Property and Personnel.

To carry out the Authority's obligations to provide fire rescue and emergency services on behalf of the Parties, the Parties hereby assign to the Authority, beginning July 1, 2016, their assets, debts if any, property and personnel as more specifically provided in this Article IV. The Authority shall insure, use, maintain, operate, improve, manage, supervise, terminate and dispose of such assets, debts, property and personnel as it deems necessary or appropriate for providing Emergency and Public Safety Services.

A. Assignment of Existing Assets and Debts. As of July 1, 2016, all necessary existing assets of the Parties, except as otherwise provided in this Agreement, are hereby assigned to the Authority to be used and managed by the new Board of the Authority for the provision of fire and emergency services within the Parties' territorial jurisdictions and as provided by contract. Existing assets include but are not limited to real property, personal property, improvements, buildings, furniture, appliances, supplies, plans, tools, vehicles, apparatus, mobile equipment, machinery, intangible personal property, cash, bank accounts, notes, bonds, insurance policies, leases, accounts receivable, warranties, guarantees, indemnifications, licenses,

permits, contracts, and agreements. The Parties shall execute lease, conveyance or other documents as deemed reasonably appropriate by the Authority Directors to document such assignment. The Parties acknowledge that the assets assigned to the Authority may be modernized, modified, replaced or disposed of by the Authority, and that any new assets acquired by the Authority shall be titled in the name of the Authority. The assets of the CYFD transferred to the Authority pursuant to the Agreement shall be set forth in detail on schedules to be appended hereto as they are compiled prior to the July 1, 2016 effective date hereof. The assets of the CVFD transferred to the Authority pursuant to the Agreement shall be set forth in detail on schedules to be appended hereto as they are compiled prior to the July 1, 2016 effective date hereof.

Further, to the extent that any asset contemplated for transfer to the Authority has a concomitant debt obligation arising there from, such debt shall also be transferred to the Authority for repayment as the law and any written agreement regarding such debt may require. In the event that an asset or a debt associated with an asset may not be transferred to the Authority, the Party that owns that asset or that accrued such debt shall retain ownership of the asset and/or debt. Alternatively, if their respective Boards of Directors so decide, a Party and the Authority may make other arrangements as provided by law to allow for the use of such asset by the Authority- rather than its transfer- pursuant to a separate written agreement.

B. Personnel. It is the intent of the Parties that as of July 1, 2016 all personnel of the Parties shall be transferred to the employment of the Authority, and shall provide services through and under the management of the Authority. The Authority shall provide all management, payroll, pension, supervision and personnel and human resource related services for the Parties related to its employees.

1. Fire Chief. The initial Authority Fire Chief shall be the Fire Chief of the CVFD, Scott Freitag. Upon the execution of this Agreement, the CVFD Fire Chief shall assume responsibilities of Fire Chief for the Authority pursuant to this Agreement. Upon the full implementation of this Agreement on July 1, 2016, the Intergovernmental Service Agreement between the Parties related to the provision of such Fire Chief services to the CYFD shall be timely terminated. Further, at that time, that contract for services between the CVFD and the Fire Chief shall be timely terminated. The Parties hereto contemplate that a new contract for Fire Chief services between the existing CVFD Fire Chief and the Authority with the same or similar terms to the current CVFD contract shall be drafted and signed between the current CVFD Fire Chief and the Board of the Authority in a timely manner following the execution of this Agreement and the appointment of the Authority Fire Board. This will allow for the Fire Chief's services in implementing the necessary transfers to the Authority, the implementation of Authority policies and procedures, and the completion of any necessary acts in connection therewith.

Subject to the supervision of the Board of Directors of the Authority, the Fire Chief shall have all powers and authorities provided for a Fire Chief under the policies and procedures adopted by the Fire Board of the Authority. The Fire Chief is currently providing services pursuant to the terms of the signed intergovernmental agreement between the Parties hereto subject to the policies and procedures of the respective agencies, which policies and procedures are in the process of being rationalized and brought into accord with each other in an ongoing process. The Parties contemplate that the powers and authorities of the Fire Chief of the Authority will mirror those in place on the effective date hereof at the Parties' own Fire District level. The Fire Chief shall oversee and manage all business and affairs of the Authority, including the operation, maintenance, management, administration, and provision of all facilities, improvements, equipment, services and personnel, in the manner typically associated with a fire and emergency rescue services agency. The Fire Chief will be delegated authority by the Authority Fire Board to manage all aspects of the Authority, including the authority associated with a chief executive, administrative, and operational officer. The Authority Fire Chief shall also make such personnel decisions as he deems appropriate, including without limitation decisions as to organization, staffing levels, deployment, promotions, demotions, discipline and, where deemed necessary by the Authority Fire Chief, termination; provided that before July 1, 2016 any termination shall occur only pursuant to the policies and procedures in place at the Party employing the individual in question.

2. Administrative Personnel. It is contemplated that as of July 1, 2016 all administrative employees of the CYFD and the CVFD will be employed by the Authority.

3. Non-Administrative Personnel. It is contemplated that as of July 1, 2016 all non-administrative employees of the CYFD and the CVFD will be employed by the Authority.

C. Pension Funds. The Authority shall manage and oversee all pension funds and pension plans of the Parties, subject to the statutory requirements of the Public Safety Personnel Retirement System ("PSPRS") and the Arizona State Retirement System ("ASRS"), and the requirements, authorities and obligations of the trust or pension agreements or other documents and agreements establishing and pertaining to such pension funds. The Parties contemplate that their respective separate PSPRS and ASRS plans will each be merged into a separate single PSPRS account and separate single ASRS account under the name of the Fire Authority prior to the July 1, 2016 implementation date as required by policy and law. Prior to the date that the new Authority accounts are established, each separate Party PSPRS Local Board shall continue to function in accordance with established policy. Upon the appointment of the Authority Fire Board of Directors, the Authority Board shall timely take up the creation of the Authority PSPRS and ASRS pension accounts and shall appoint the new Authority PSPRS Local Board in accordance with policy and law. The Parties' existing Local

Board members will be considered for election and/ appointment to the new Authority Local Board. The existing Volunteer Retiree and Pension Plan in place at the CYFD shall remain in place as an obligation solely of the CYFD.

V. Initial Agreements.

A. Creation of Single, Integrated Fire Authority. It is the Parties' intent, and the Parties expressly agree to form a single, integrated fire rescue and emergency services authority to serve all areas currently served by the Parties, by utilizing the process and procedures available to fire protection districts under A.R.S.§48-805.01.

B. CYFD 2016 Levy and Budget. The CYFD shall adopt its 2016-2017 budget and certify its levy rate to the County Board of Supervisors of Yavapai County for application to taxes collected in 2016-2017. The CYFD's 2016-2017 budget shall call for payment of all revenues above and beyond that amount set forth in Paragraph IV. E. above to the Authority to provide for services to the property included within the boundaries and/or contracted areas of the CYFD as of July 1, 2016.

C. CVFD 2016 Levy and Budget. The CVFD shall adopt its 2016-2017 budget and certify its levy rate to the County Board of Supervisors of Yavapai County for application to taxes collected in 2016-2017. The CVFD's 2016-2017 budget shall call for payment of all revenues above and beyond that amount set forth in Paragraph IV. E. above to the Authority to provide for services to the property included within the boundaries and/or contracted areas of the CVFD as of July 1, 2016.

D. Transfer of Authority and CYFD Assets, Property, Personnel and Pension Funds. As of July 1, 2016, legal and equitable title to all assets and property of the CYFD as set forth on such schedules as may be compiled after the signature of this Agreement shall transfer to the Authority, and all employees of the CYFD shall be thereafter employed by the Authority.

E. Transfer of Authority and CVFD Assets, Property, Personnel and Pension Funds. As of July 1, 2016, legal and equitable title to all assets and property of the CVFD as set forth on such schedules as may be compiled after the signature of this Agreement shall transfer to the Authority, and all employees of the CVFD shall be thereafter employed by the Authority.

F. Name. The Fire Board of the Authority shall take such action as necessary to effect prior to July 1, 2016, the acceptance of a name change for the Authority to the "Central Arizona Fire and Medical Authority" to correspond to the recommendation of the Authority Fire Board, or as otherwise agreed between the Parties.

VI. Disclosures.

A. Legal. The Parties hereto make the following disclosures regarding legal and court matters currently pending:

1. For the CYFD: One matter presently before the court:

i) That matter styled Central Yavapai Fire District v. Ace Hardware Corporation and Bluescope Construction Inc., P1300-CV2015-00287, filed in March 2015 in the Yavapai County Superior Court. This case involves a claim by the CYFD against the defendants for ongoing damages arising as a result of defective design and construction of a retention pond and channel to divert water as well as defective design and compaction of surrounding fill material that were all completed in 2007. The defective construction has resulted in alleged possible damage to riparian habitat and waters of the United States, and some of the fill creating such damage may arguably have originated from CYFD property. Additionally, the required federal 404 permits for the defective construction alleged to have caused the damage were never requested by the Defendants, the parties that the CYFD alleges were solely responsible for requesting and receiving such permits. Nonetheless, the CYFD might be found liable for damages in the event that the U.S. Army Corps of Engineers, through the Department of Justice, sought to enforce those elements of the Clean Water Act that are alleged to have been violated. To prevent the possible transfer of such liability to the Authority, legal title to the CYRTA training facility may initially be held by the CYFD rather than transferred to the Authority, as outside retained counsel for the CYFD may advise. The case is proceeding in accordance with the advice of outside counsel and the expectations of the CYFD Fire Board, and the parties are presently seeking resolution of the matter short of litigation. The CYFD is not and has not been the target of any investigation to date, and further the CYFD has not been charged with any violation of state or federal law at this time. Inasmuch as the Defendants appear to be solely responsible for the defective work and failure to permit as required, to date the CYFD has made no financial contribution to the costs of the proposed remediation, the federal 404 permit application costs, or development of the plan for the completion of work. The Fire Board of the CYFD contemplates a complete resolution of the matter.

2. For the CVFD: None.

3. The Parties hereto contemplate that upon the approval of this Agreement by each of the Parties' respective Boards of Directors, the Authority Board of Directors shall retain legal counsel. The Directors of the Parties have agreed that initially counsel is to be attorney Nicolas J. Cornelius, Esq. of the law firm Kendhammer & Partners, LLP, which shall offer a separate retainer agreement for the signature of the Authority Board of Directors, and who shall serve in that role at the discretion of the Authority Board of Directors.

Each of the Parties' Boards of Directors has previously signed written retainer agreements with Kendhammer & Partners, LLP, and Nicolas J. Cornelius,

Esq., to represent them. In connection therewith, Mr. Cornelius has made previous detailed written disclosures to each of the Parties regarding potential conflicts of interest arising from the representation of each of them. He has also made detailed written disclosures to the Boards of Directors of the Parties regarding potential conflicts of interest that may arise due to representation of the Authority while also representing each of the Parties. The Board of Directors of each of the Parties has reviewed, discussed, understand and has approved the waiver of the current conflicts that may arise between them as well as those that may arise from the joint representation of the Parties and the Authority going forward. Counsel has undertaken to the Parties that pursuant to the ethical rules of the State Bar of Arizona he will provide advance written disclosure and waivers for approval and signature of the respective Parties' Boards of Directors and/or the Authority Board of Directors as matters may require. In the event that a conflict is non-waivable, he shall withdraw from representation and assist the Parties and/or the Authority as required to retain independent counsel in connection with any such matter.

VII. Term and Termination.

A. Term. This Agreement shall become binding between the Parties on the date of its signature by all Parties hereto. Thereafter, certain provisions will be enacted by the Parties in advance of the implementation date of the Agreement, which shall be July 1, 2016. Some of those provisions will include but not be limited to establishment of ASRS and/or PSPRS accounts, establishment of a new PSPRS Local Board, retention of workers' compensation liability insurance coverage, retention of general liability insurance coverage, transfer of assets and personnel to the Authority, transfer of the Fire Chief's contract to the Authority, assumption of debt, if any, by the Authority, establishment of Authority written policies and procedures and of Authority Board of Directors written policies and procedures, retention of Authority counsel and certified public accountants, etc. The term of this Agreement shall be for three (3) years after the date of implementation and shall extend thereafter until terminated as provided herein.

B. Termination. This Agreement may be terminated by either party without cause effective upon not less than twelve (12) months written notice, or at anytime by written agreement by the Parties. This Agreement shall also terminate under the terms of the statutory requirements as set forth in A.R.S. §38-511. Further, this Agreement may be terminated for cause by either Party in accordance with Arizona law.

C. Future Consolidation with a Non-Party/Expansion of Agreement to Others. The Fire Board of the Authority may consider the future expansion or consolidation of a separate non-party to this Agreement under the terms of this Agreement as it may be amended from time to time.

D. Payments Subject to Annual Appropriations. All payments due to the Authority hereunder are subject to annual appropriations by the Party from which such payment is due. In the event either Party fails to appropriate such payments through such Party's budget approval process prior to the fiscal year in which such payment is due, this Agreement shall terminate as of July 1 of the year in which such payment is due.

E. Distribution on Termination. In the event of the termination of this Agreement and the dissolution of the Authority, all assets assigned by the Parties to the Authority for its use at the commencement of this Agreement shall, to the extent they are still held by the Authority, be returned to the assigning Party subject to any outstanding liens, mortgages or other pledges, and reasonable wear and tear. The Parties contemplate that assets acquired by the Authority other than assets assigned by the Parties and the financial assets of the Authority shall be liquidated and conveyed to each Party in proportion to the total amounts paid by such Party to the Authority during the term of this Agreement, and after considering the distribution of any funds received by the Authority for disposal of assets assigned by such Party to the Authority. However, the Parties may otherwise provide by written agreement for disposition of any and all interests of the Authority to any successors to the Authority, or for any alternative disposition among the Parties. In the event of termination, the Parties agree to cooperate in good faith to provide such transfer and distribution of assets so as to allow each Party to individually resume responsibility for providing Fire and Emergency Services within their jurisdictions in an efficient and timely manner. In the event of a dispute regarding the distribution of assets upon termination the Parties agree to have an arbitration panel of three arbiters pursuant to the Arizona Arbitration Act arbitrate the distribution of the assets.

VIII. Miscellaneous.

A. Party Inclusions and Exclusions. During the term of this Agreement, and because of the potential impact on the service demands and revenues of the Authority, neither Party will include or exclude property from the Authority pursuant to A.R.S. §48-805.C. without prior written notice to the other Party.

B. Notices. Any formal notice, demand or request provided for in this Agreement shall be in writing and shall be deemed properly served, given or made if delivered in person, by facsimile, or sent by registered or certified mail, postage prepaid to the Parties at the addresses as set forth on each signature page attached hereto, unless another address is certified to the Authority.

C. Choice of Law. This Agreement is drafted pursuant to and shall be interpreted under the laws of the State of Arizona.

D. No Third-Party Beneficiaries. Nothing in this Agreement shall be deemed to create any third-party benefits or beneficiaries, or create a right or cause of

action for the enforcement of its terms, in any entity or person not a Party to this Agreement, including any employees, volunteers, officers or agents of the Parties.

E. Existing Agreements. This Agreement shall not terminate any existing agreement of either Party unless otherwise stated, including mutual or automatic aid agreements between the Parties or between either or both Parties and any non-party.

F. Amendments. This Agreement may be amended only by written document approved by formal authority of the governing bodies of all of the Parties; provided, however, that such amendment will not affect other obligations outstanding of the Authority unless provision for full payment of such obligations, by escrow or otherwise, has been made pursuant to such obligations. Permitted amendments may include, but shall not be limited to extensions of time for the completion of any matters described herein.

G. Severability. In the event that any of the terms, covenants, or conditions of this Agreement or their application shall be held invalid as to any person, corporation or circumstance by any court of competent jurisdiction, the remainder of this Agreement shall not be affected thereby, and such determination shall not affect or impair the validity or enforceability of any other provision, and the remaining provisions shall be interpreted and applied so far as possible to reflect the original intent and purpose of this Agreement.

H.. Duplicate Originals. This Agreement shall be executed in several counterparts, each of which shall be an original, but all of which together shall constitute one in the same instrument.

[The rest of this page intentionally left blank]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the ____ day of _____, 2015.

CENTRAL YAVAPAI FIRE DISTRICT

Address:

By: _____
Stephen M. Rutherford, Chairman

Date: _____

Attest:

Bob Page, Clerk

CHINO VALLEY FIRE DISTRICT

Address:

By: _____
Cynthia Ducote, Chairwoman

Date: _____

Attest:

Dave Dobbs, Clerk

District Counsel for the CYFD and the CVFD:

Nicolas J. Cornelius, Esq.