

Eagle Mountain, Utah

February 20, 2018

The City Council (the "Council") of Eagle Mountain City, Utah (the "City"), met in regular public session at the regular meeting place of the Council in Eagle Mountain City, Utah on February 20, 2018, at the hour of 7:00 p.m., with the following members of the Council being present:

Tom Westmoreland	Mayor
Donna Burnham	Councilmember
Melissa Clark	Councilmember
Colby Curtis	Councilmember
Stephanie Gircius	Councilmember
Ben Reaves	Councilmember

Also present:

Ifo Pili	City Administrator
Fionnuala Kofoed	City Recorder

Absent:

After the meeting had been duly called to order and after other matters not pertinent to this resolution had been discussed, the City Recorder presented to the City Council a Certificate of Compliance with Open Meeting Law with respect to this February 20, 2018, meeting, a copy of which is attached hereto as Exhibit A.

The following resolution was then introduced in written form, was fully discussed, and pursuant to motion duly made by Councilmember Reaves and seconded by Councilmember Clark, was adopted by the following vote:

AYE:           5

NAY:           0

The resolution is as follows:

RESOLUTION NO. 05 - 2018

A RESOLUTION OF THE CITY COUNCIL OF EAGLE MOUNTAIN CITY, UTAH (THE "ISSUER"), AUTHORIZING A PRELIMINARY OFFICIAL STATEMENT, AN OFFICIAL STATEMENT, A BOND PURCHASE AGREEMENT AND OTHER DOCUMENTS REQUIRED IN CONNECTION WITH THE ISSUANCE AND SALE OF NOT MORE THAN \$5,000,000 AGGREGATE PRINCIPAL AMOUNT OF WATER AND SEWER REVENUE REFUNDING BONDS, SERIES 2018; AND RELATED MATTERS.

WHEREAS, pursuant to the provisions of the Utah Refunding Bond Act, Title 11, Chapter 27, Utah Code Annotated 1953, as amended (the "Act"), the City Council (the "City Council") of Eagle Mountain City, Utah (the "Issuer"), is authorized to issue bonds payable from the net revenues of its existing water and sewer system (the "System") for the municipal purposes set forth in the Act; and

WHEREAS, by resolution adopted on October 17, 2017 (the "Parameters Resolution") the City Council approved the issuance of its Water and Sewer Revenue Refunding Bonds, Series 2018 (the "Series 2018 Bonds") (to be issued in one or more series and with such other series or title designation(s) as may be determined by the Issuer); and

WHEREAS, the Issuer desires to authorize the use and distribution of one or more of a Preliminary Official Statement (the "Preliminary Official Statement") in substantially the form attached hereto as Exhibit B, and to approve a final Official Statement (the "Official Statement") in substantially the form as the Preliminary Official Statement, and other documents relating thereto; and

WHEREAS, the City Council has determined that the Bond Purchase Agreement (the "Purchase Agreement") with George K. Baum & Company (the "Underwriter"), for the purchase of the Series 2018 Bonds is acceptable and in the best interest of the Issuer, a substantially final form of which is attached hereto as Exhibit C;

NOW, THEREFORE, it is hereby resolved by the City Council of Eagle Mountain City, Utah, as follows:

Section 1. The Issuer hereby authorizes the utilization of the Preliminary Official Statement in the form attached hereto as Exhibit B in the marketing of the Series 2018 Bonds and hereby approves the Official Statement in substantially the same form as the Preliminary Official Statement.

Section 2. The Issuer hereby authorizes the form of the Bond Purchase Agreement attached hereto as Exhibit C between the Issuer and Underwriter.

Section 3. The Designated Officers or other appropriate officials of the Issuer are authorized to make any alterations, changes or additions to the Indenture, the Preliminary Official Statement, the Official Statement, the Series 2018 Bonds, the Bond Purchase Agreement, or any other document herein authorized and approved which may

be necessary to conform the same to the final terms of the Series 2018 Bonds (within the Parameters set by this Resolution), to conform to any applicable bond insurance or reserve instrument or to remove the same, to correct errors or omissions therein, to complete the same, to remove ambiguities therefrom, or to conform the same to other provisions of said instruments, to the provisions of this Resolution or any resolution adopted by the City Council or the provisions of the laws of the State of Utah or the United States.

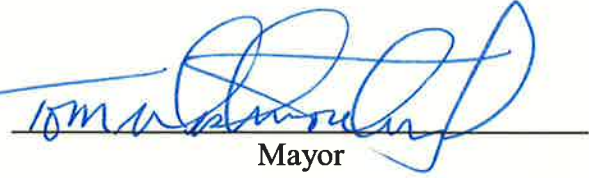
Section 4. All resolutions or parts thereof in conflict herewith are, to the extent of such conflict, hereby repealed and this Resolution shall be in full force and effect immediately upon its approval and adoption.

PASSED, ADOPTED AND APPROVED this February 20, 2018.

EAGLE MOUNTAIN CITY, UTAH

(SEAL)



  
\_\_\_\_\_  
Mayor

ATTEST:

  
\_\_\_\_\_  
City Recorder



(Here follows business not pertinent to the above.)

Pursuant to motion duly made and seconded, the City Council adjourned.

(SEAL)



  
\_\_\_\_\_  
Mayor

ATTEST:

  
\_\_\_\_\_  
City Recorder

STATE OF UTAH )  
 : ss.  
COUNTY OF UTAH )

I, Fionnuala Kofoed, the duly appointed and qualified City Recorder of Eagle Mountain City, Utah (the "City"), do hereby certify according to the records of the City Council of the City (the "City Council") in my official possession that the foregoing constitutes a true and correct excerpt of the minutes of the meeting of the City Council held on February 20, 2018, including a resolution (the "Resolution") adopted at said meeting as said minutes and Resolution are officially of record in my possession.

IN WITNESS WHEREOF, I have hereunto subscribed my signature and impressed hereon the official seal of said City, this February 20, 2018.

(SEAL)



By:   
City Recorder

EXHIBIT A

CERTIFICATE OF COMPLIANCE WITH  
OPEN MEETING LAW

I, Fionnuala Kofoed, the undersigned City Recorder of Eagle Mountain City, Utah (the "City"), do hereby certify, according to the records of the City in my official possession, and upon my own knowledge and belief, that in accordance with the requirements of Section 52-4-202, Utah Code Annotated, 1953, as amended, I gave not less than twenty-four (24) hours public notice of the agenda, date, time and place of the February 20, 2018, public meeting held by the City Council of the City (the "City Council") as follows:

(a) By causing a Notice, in the form attached hereto as Schedule 1, to be posted at the principal offices of the City on February 15<sup>th</sup>, 2018, at least twenty-four (24) hours prior to the convening of the meeting, said Notice having continuously remained so posted and available for public inspection until the completion of the meeting;

(b) By causing a copy of such Notice, in the form attached hereto as Schedule 1, to be delivered to The Daily Herald on February 15<sup>th</sup>, 2018, at least twenty-four (24) hours prior to the convening of the meeting; and

(c) By causing a copy of such Notice, in the form attached hereto as Schedule 1, to be posted on the Utah Public Notice Website (<http://pmn.utah.gov>) at least twenty-four (24) hours prior to the convening of the meeting.

In addition, the Notice of 2018 Annual Meeting Schedule for the City Council (attached hereto as Schedule 2) was given specifying the date, time, and place of the regular meetings of the City Council to be held during the year, by causing said Notice to be (a) posted on November 22, 2017, at the principal office of the City Council, (b) provided to at least one newspaper of general circulation within the City on November 22, 2017, and (c) published on the Utah Public Notice Website (<http://pmn.utah.gov>) during the current calendar year.

IN WITNESS WHEREOF, I have hereunto subscribed my official signature this February 20, 2018.

(SEAL)



By: \_\_\_\_\_

*Fionnuala Kofoed*  
City Recorder

SCHEDULE 1

NOTICE OF MEETING



**EAGLE**  
M O U N T A I N

EAGLE MOUNTAIN  
CITY COUNCIL MEETING

**February 20, 2018**

Eagle Mountain City Council Chambers

1650 East Stagecoach Run, Eagle Mountain, Utah 84005

**4:00 P.M. WORK SESSION – CITY COUNCIL CHAMBERS**

1. CITY ADMINISTRATOR INFORMATION ITEMS – This is an opportunity for the City Administrator to provide information to the City Council. These items are for information only and do not require action by the City Council.
  - A. UPDATE – Recreation Center Survey Findings
  - B. DISCUSSION – Renaming a Portion of Airport Road
2. AGENDA REVIEW – The City Council will review items on the Consent Agenda and Policy Session Agenda.
3. ADJOURN TO A CLOSED EXECUTIVE SESSION – The City Council will adjourn into a Closed Executive Session for the purpose of discussing reasonably imminent litigation, the purchase, lease or exchange of real property pursuant to Section 52-4-205(1) of the Utah Code, Annotated.

**7:00 P.M. POLICY SESSION – CITY COUNCIL CHAMBERS**

4. CALL TO ORDER
5. PLEDGE OF ALLEGIANCE
6. INFORMATION ITEMS/UPCOMING EVENTS
7. PUBLIC COMMENTS – Time has been set aside for the public to express their ideas, concerns and comments. *(Please limit your comments to three minutes each.)*
8. CITY COUNCIL/MAYOR’S ITEMS – Time has been set aside for the City Council and Mayor to make comments.

**CONSENT AGENDA**

9. MINUTES

**THE PUBLIC IS INVITED TO PARTICIPATE IN ALL CITY COUNCIL MEETINGS.**

In accordance with the Americans with Disabilities Act, Eagle Mountain City will make reasonable accommodation for participation in the City Council Meetings and Work Sessions. Please call the City Recorder’s Office at least 3 working days prior to the meeting at 801-789-6610. This meeting may be held telephonically to allow a member of the City Council to participate. This agenda is subject to change with a minimum 24-hour notice.

A. February 6, 2018 – Regular City Council Meeting

10. BID AWARDS

- A. 2018 Crack Seal Project – Top Job
- B. 2018 Chip Seal Project – CKC Asphalt
- C. 2018 Landscaping Maintenance – TruCo Services, Inc.

11. CHANGE ORDERS

- A. Hidden Valley Widening Project – Horrocks
- B. Pony Express Widening Project – CRS
- C. Valley View Water Tank – Sunrise Engineering

12. BOND RELEASES – Out of Warranty

- A. Lone Tree Plat G
- B. Eagle Point Plat F2

**SCHEDULED ITEMS**

**PUBLIC HEARING**

13. MOTION – Disposal of Significant Real Property Identified as Utah County Parcel Numbers 38:302:0005, 58:034:0332 and 58:034:0181.

BACKGROUND: *(Presented by Staff)* Eagle Mountain City received 3 applications for the purchase of significant, real parcels of vacant property owned by the City. The City Council will consider the possible disposition of the property and if the Council determines that the disposal is appropriate, what method should be used to maximize the value of the property.

**PUBLIC HEARING**

14. MOTION – Heatherwood Phase 3 Preliminary Plat and Site Plan.

BACKGROUND: *(Presented by Planning Staff)* The proposed plat has 72 single family lots on 10.81 acres. The property is located south of the existing Heatherwood development adjacent to The Ranches Golf Course. This proposed plat is the final phase of the Heatherwood development.

15. RESOLUTION – A Resolution of Eagle Mountain City, Utah, Authorizing a Preliminary Official Statement, an Official Statement, a Bond Purchase Agreement and Other Documents Required in Connection with the Issuance and Sale of Not More Than \$5,000,000 Aggregate Principal Amount of Water and Sewer Revenue Refunding Bonds, Series 2018; and Related Matters.

BACKGROUND: *(Presented by Lewis Young Robertson & Burningham, Inc.)* The City Council adopted a parameters resolution in October, 2017 for the refunding of water and sewer revenue bonds. This proposed resolution authorizes the preliminary official statement, an official statement and bond purchase agreement required in conjunction with refunding the bonds.

16. CITY COUNCIL/MAYOR’S BUSINESS – This time is set aside for the City Council’s and Mayor’s comments on City business.

17. CITY COUNCIL BOARD LIAISON REPORTS – This time is set aside for Councilmembers to report on the boards they are assigned to as liaisons to the City Council.
18. COMMUNICATION ITEMS
  - A. Upcoming Agenda Items
  - B. Financial Report
19. ADJOURNMENT

CERTIFICATE OF POSTING

The undersigned, duly appointed City Recorder, does hereby certify that the above agenda notice was posted on this 15<sup>th</sup> day of February, 2018, on the Eagle Mountain City bulletin boards, the Eagle Mountain City website [www.emcity.org](http://www.emcity.org), posted to the Utah State public notice website <http://www.utah.gov/pmn/index.html>, and was emailed to at least one newspaper of general circulation within the jurisdiction of the public body.

Fionnuala B. Kofoed, MMC, City Recorder

SCHEDULE 2

ANNUAL MEETING SCHEDULE



**EAGLE MOUNTAIN CITY COUNCIL  
2018 MEETING SCHEDULE**

**Eagle Mountain City Council Chambers, 1650 E. Stagecoach Run, Eagle Mountain, Utah**

The Eagle Mountain City Council, at its regularly scheduled meeting on November 21, 2017, adopted the following meeting schedule for the year 2018.

**Work Sessions 4:00 p.m.**  
**Policy Sessions 7:00 p.m.**

**January 2, 16**  
**February 6, 20**  
**March 6**  
**April 3, 17**  
**May 1, 15**  
**June 5, 19**

**July 3, 17**  
**August 7, 21**  
**September 4, 18**  
**October 2, 16**  
**November 20**  
**December 4**

**THE PUBLIC IS INVITED TO PARTICIPATE IN ALL CITY COUNCIL MEETINGS.**

**If you need a special accommodation to participate in a City Council meeting, please call the City Recorder's Office at least 3 working days prior to the meeting at 801-789-6610.**

EXHIBIT B

PRELIMINARY OFFICIAL STATEMENT

(See Transcript Document No. \_\_)

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY [23], 2018

**NEW ISSUE—Issued in Book-Entry Only Form  
BANK-QUALIFIED**

**Ratings: S&P “\_\_\_\_\_”  
(See “BOND RATING” herein.)**

*In the opinion of Gilmore & Bell, P.C., Bond Counsel to the City, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”), (1) the interest on the Series 2018A Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax and (2) the Series 2018A Bonds are “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code. Bond Counsel is also of the opinion that the interest on the Series 2018A Bonds is exempt from State of Utah individual income taxes. See “TAX MATTERS” in this Official Statement.*

**\$3,655,000\***

**EAGLE MOUNTAIN CITY, UTAH  
WATER AND SEWER REVENUE REFUNDING BONDS  
SERIES 2018A**

**Dated: Date of Initial Delivery**

**Due: November 15, as shown on the inside cover**

The Series 2018A Bonds are issuable as fully registered bonds and when initially issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Series 2018A Bonds. Purchases of Series 2018A Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through, DTC participants. Owners of the Series 2018A Bonds will not be entitled to receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Series 2018A Bonds. Interest on the Series 2018A Bonds is payable on May 15 and November 15 of each year, commencing May 15, 2018, through U.S. Bank National Association, as Paying Agent, all as more fully described herein. So long as DTC or its nominee is the registered owner of the Series 2018A Bonds, payments of the principal of, premium, if any, and interest on such Series 2018A Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See “THE SERIES 2018A BONDS—Book-Entry Only System” herein.

The Series 2018A Bonds are issued for the purpose of (i) refunding certain of the City’s Water and Sewer Revenue and Refunding Bonds, Series 2007A and (ii) paying costs associated with the issuance of the Series 2018A Bonds.

[The Series 2018A Bonds are subject to optional redemption prior to maturity as described herein.] See “THE SERIES 2018A BONDS—Redemption” herein.

**The Series 2018A Bonds are limited obligations of the City, payable solely from a pledge and assignment of Revenues of the System, after payment of Operation and Maintenance Expenses of the System, and moneys on deposit in the funds and accounts (other than the Rebate Fund) established in the Indenture between the City and U.S. Bank National Association, as trustee. Neither the credit nor the taxing power of the City or the State of Utah or any agency, instrumentality, or political subdivision thereof is pledged for the payment of the principal of, premium, if any, or interest on the Series 2018A Bonds. The Series 2018A Bonds are not general obligations of the City or the State of Utah or any agency, instrumentality, or political subdivision thereof. The issuance of the Series 2018A Bonds shall not directly, indirectly, or contingently obligate the City or the State of Utah or any agency, instrumentality, or political subdivision thereof to levy any form of taxation therefor or to make any appropriation for the payment of the Series 2018A Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018A BONDS” herein.**

The Series 2018A Bonds are offered when, as, and if issued and received by the Underwriter, subject to the approval of their legality by Gilmore & Bell, P.C., Bond Counsel to the City. Certain matters relating to disclosure will be passed upon by Gilmore & Bell, P.C., Disclosure Counsel to the City. Certain legal matters will be passed upon for the City by the Cohn Kinghorn, P.C., Salt Lake City, Utah. Lewis Young Robertson & Burningham, Inc. is acting as municipal advisor to the City in connection with the issuance of the Series 2018A Bonds. It is expected that the Series 2018A Bonds, in book-entry only form, will be available for delivery on or about March 15, 2018.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

This Official Statement is dated March \_\_\_\_\_, 2018, and the information contained herein speaks only as of that date.

**George K. Baum & Company**

\*Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

**\$3,655,000\***  
**EAGLE MOUNTAIN CITY, UTAH**  
**WATER AND SEWER REVENUE REFUNDING BONDS,**  
**SERIES 2018**

MATURITIES, AMOUNTS, INTEREST RATES, AND PRICES OR YIELDS

<u>Due</u> <u>(November 15)</u>	<u>Principal</u> <u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2018	\$415,000			26970T _____
2019	420,000			
2020	425,000			
2021	445,000			
2022	455,000			
2023	480,000			
2024	500,000			
2025	515,000			

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\* Preliminary; subject to change.

\*\* The above referenced CUSIP number(s) have been assigned by an independent company not affiliated with the parties to this bond transaction and are included solely for the convenience of the holders of the Series 2018A Bonds. Neither the City, the Trustee nor the Underwriter is responsible for the selection or uses of such CUSIP numbers, and no representation is made as to its correctness on the Series 2018A Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2018A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities.

The information set forth herein has been obtained from the City, DTC, and other sources that are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made thereafter shall under any circumstances create any implication that there has been no change in the affairs of the City, or in any other information contained herein since the date hereof.

No dealer, broker, salesman or any other person has been authorized by the City, or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering contained herein, and, if given or made, such information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy nor shall there be any sale of the Series 2018A Bonds by any person in any jurisdiction in which it is unlawful for such offer, solicitation or sale.

All inquiries relating to this Official Statement and the offering contemplated herein should be directed to the Underwriter. Prospective investors may obtain additional information from the Underwriter or the City which they may reasonably require in connection with the decision to purchase any of the Series 2018A Bonds from the Underwriter.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Forward-looking statements are included in, but not limited to, the Official Statement under the captions "PLAN OF REFUNDING," "ESTIMATED SOURCES AND USES OF FUNDS," and "HISTORICAL AND PRO FORMA DEBT SERVICE COVERAGE." The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The yields at which the Series 2018A Bonds are offered to the public may vary from the initial reoffering yields on the inside front cover page of this Official Statement. In connection with this offering, the Underwriter may engage in transactions that stabilize, maintain or otherwise affect market prices of the Series 2018A Bonds. Such transactions, if commenced, may be discontinued at any time.

THE SERIES 2018A BONDS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. THE SERIES 2018A BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The City maintains a website; however, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2018A Bonds.

**\$3,655,000\***  
**EAGLE MOUNTAIN CITY, UTAH**  
**WATER AND SEWER REVENUE REFUNDING BONDS**  
**SERIES 2018**

**1650 East Stagecoach Run**  
**Eagle Mountain, Utah 84005**  
**(801) 789-6600**

**MAYOR AND CITY COUNCIL**

Tom Westmoreland.....	Mayor
Donna Burnham.....	Councilmember
Melissa Clark.....	Councilmember
Colby Curtis.....	Councilmember
Stephanie Gricius.....	Councilmember
Ben Reaves.....	Councilmember

**CITY ADMINISTRATION**

Ifo Pili.....	City Administrator
Paul Jerome.....	Assistant City Administrator/Finance Director
Fionnuala Kofoed.....	City Recorder
David Mortensen.....	Assistant Finance Director/City Treasurer
Mack Straw.....	Public Utilities Manager

**TRUSTEE, BOND REGISTRAR, AND PAYING AGENT**

U.S. Bank National Association  
170 South Main Street, Suite 200  
Salt Lake City, Utah 84101  
(801) 534-6083

**MUNICIPAL ADVISOR**

Lewis Young Robertson & Burningham, Inc.  
41 North Rio Grande, Suite 101  
Salt Lake City, Utah 84101  
(801) 596-0700

**BOND AND DISCLOSURE COUNSEL**

Gilmore & Bell, P.C.  
15 West South Temple, Suite 1450  
Salt Lake City, Utah 84101  
(801) 364-5080

**COUNSEL TO THE CITY**

Cohne Kinghorn, P.C.  
111 East Broadway, Suite 1100  
Salt Lake City, Utah 84111  
(801) 363-4300

**UNDERWRITER**

George K. Baum & Company  
15 West South Temple, Suite 1090  
Salt Lake City, Utah 84101  
(801) 538-0351

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\* Preliminary; subject to change.



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**\$3,655,000\***  
**EAGLE MOUNTAIN CITY, UTAH**  
**WATER AND SEWER REVENUE REFUNDING BONDS**  
**SERIES 2018**

**INTRODUCTION**

This Official Statement, including the cover page, introduction and appendices provides information regarding (i) the issuance and sale by Eagle Mountain City, Utah (the “City”), a political subdivision of the State of Utah (the “State”), of its \$3,655,000\* Water and Sewer Revenue Refunding Bonds, Series 2018 (the “Series 2018A Bonds”), initially issued in book-entry form only; (ii) the City; and (iii) the City’s water utility (the “Water System”) and the City’s sewer utility (the “Sewer System,” and together with the Water System, the “System”) owned and operated by the City. This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Series 2018A Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used herein and not otherwise defined shall have the meanings given such terms in “APPENDIX B—EXCERPTS OF CERTAIN PROVISIONS OF THE GENERAL INDENTURE.”

See also the following appendices attached hereto which are hereby incorporated herein by reference: APPENDIX A—AUDITED BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017; APPENDIX B—EXCERPTS OF CERTAIN PROVISIONS OF THE GENERAL INDENTURE; APPENDIX C—ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY AND UTAH COUNTY; APPENDIX D—FORM OF CONTINUING DISCLOSURE UNDERTAKING; APPENDIX E—FORM OF OPINION OF BOND COUNSEL; and APPENDIX F—PROVISIONS REGARDING BOOK-ENTRY ONLY SYSTEM.

**The City**

The City was incorporated on December 3, 1996. The City covers approximately 52.7 square miles and is located approximately 30 miles northwest of Provo City and approximately 40 miles southwest of Salt Lake City. The City’s estimated population in 2016 was 29,202. For more information with respect to the City, see “EAGLE MOUNTAIN CITY,” “APPENDIX A—AUDITED BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017,” and “APPENDIX C—ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY AND UTAH COUNTY” herein.

**The System**

The Water System includes four active wells with a pumping capacity of 14,976,000 gallons per day, storage capacity of 6.6 million gallons, and approximately 100 miles of pipe for distribution to the Water System customers. The City can also receive up to 1,020 acre-feet annually of water pursuant to arrangements with the Central Utah Water Conservancy District. See “THE SYSTEM – The Water System” herein.

The Sewer System consists of approximately 41 miles of collectors and interceptors. Sewer service in the City is separated into two service areas based on drainage basins. Collection systems are constructed in the North Service Area of the City (“NSA”) and in the South Service Area of the City (“SSA”). Wastewater from the NSA is transported to the wastewater treatment plant of the Timpanogos Special Service District (“TSSD”) pursuant to an agreement between the City and the TSSD. Wastewater from the SSA is transported to the City’s wastewater treatment plant which is located in the SSA. Certain residences in the City are served by septic systems. See “THE SYSTEM – The Sewer System” herein.

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\* Preliminary; subject to change.



## **Authorization and Purpose of the Series 2018A Bonds**

The Series 2018A Bonds are being issued pursuant to (i) the Utah Refunding Bond Act, Title 11, Chapter 27, Utah Code Annotated 1953, as amended (the “Act”); (ii) resolutions of the City Council of the City adopted on October 17, 2017 and February 6, 2018 (together, the “Resolution”); (iii) a General Indenture of Trust dated as of July 1, 2007, as heretofore supplemented (the “General Indenture”), between the City and U.S. Bank National Association, as trustee (the “Trustee”); (iv) a Fifth Supplemental Indenture of Trust dated as of March 1, 2018 (the “Fifth Supplemental Indenture” and together with the General Indenture, the “Indenture”) between the City and the Trustee; and (v) other applicable provisions of law.

The Series 2018A Bonds are being issued for the purpose of (a) refunding the City’s outstanding Water and Sewer Revenue and Refunding Bonds, Series 2007 (the “Refunded Bonds”), and (b) paying certain costs associated with the issuance of the Series 2018A Bonds.

## **Security**

The Series 2018A Bonds will be payable from and secured solely by a pledge and assignment of the Net Revenues from the System and moneys on deposit in the funds and accounts (other than the Rebate Fund and the Repair and Replacement Fund) held by the Trustee under the Indenture.

The Revenues of the System will be applied to pay the Operation and Maintenance Expenses of the System before being applied to pay principal of and interest on the Series 2018A Bonds. The Series 2018A Bonds will be special limited obligations of the City, payable solely from the Net Revenues of the System.

The Series 2018A Bonds will not be a general obligation of the City, the State of Utah (the “State”) or any agency, instrumentality or political subdivision thereof. Neither the faith and credit nor the taxing power of the City, the State or any agency, instrumentality or political subdivision thereof will be assigned or pledged for payment of the Series 2018A Bonds. The City will not mortgage or grant a security interest in the System or any portion thereof to secure payment of the Series 2018A Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018A BONDS” below.

The City has previously issued and has outstanding its (i) Water and Sewer Revenue and Refunding Bonds, Series 2007 (the “Series 2007 Bonds”); (ii) Water and Sewer Revenue Bonds, Series 2008 (the “Series 2008 Bonds”); (iii) Water and Sewer Revenue Bonds, Series 2013 (the “Series 2013 Bonds”); and (iv) Water and Sewer Revenue Refunding Bonds, Series 2014 (the “Series 2014 Bonds”). Said Bonds were issued to finance or refinance certain improvements to the System. Proceeds of the Series 2018A Bonds will be used to defease and redeem the outstanding Series 2007 Bonds (the “Refunded Bonds”). The Series 2008 Bonds, the Series 2013 Bonds, and the Series 2014 Bonds (sometimes collectively referred to herein as the “Outstanding Parity Bonds”) are payable from and secured by the Net Revenues on a parity with the Series 2018A Bonds. See “SECURITY FOR THE BONDS” herein.

[On or about the same time as the issuance of the Series 2018A Bonds, the City plans to issue its Water and Sewer Revenue Bonds, Series 2018B in the aggregate principal amount of approximately \$1,283,000 (the “Series 2018B Bonds”). The Series 2018B Bonds will be issued under the Indenture and on a parity with the Series 2018A Bonds and the Outstanding Parity Bonds.]

The City may issue Additional Bonds payable on a parity with the Series 2018A Bonds and the Outstanding Parity Bonds upon complying with certain requirements set forth in the Indenture. Such Additional Bonds together with the Series 2018A Bonds and the Outstanding Parity Bonds are sometimes collectively referred to herein as the “Bonds.” See “SECURITY FOR THE BONDS—Outstanding Parity Bonds,” and “—Additional Bonds” herein.

## **Redemption Provisions**

[The Series 2018A Bonds are subject to optional redemption prior to maturity. See “THE SERIES 2018A BONDS—Redemption” below.]

## **Registration, Denominations, Manner of Payment**

The Series 2018A Bonds are issuable only as fully-registered Series 2018A Bonds and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository of the Series 2018A Bonds. Purchases of Series 2018A Bonds will be made in book-entry only form, in the principal amount of \$5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through, DTC participants. Beneficial owners of the Series 2018A Bonds will not be entitled to receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Series 2018A Bonds.

So long as Cede & Co. is the registered Owner of the Series 2018A Bonds, as nominee of DTC, references herein and in the Indenture to the bondowners or registered Owners of the Series 2018A Bonds shall mean Cede & Co. and shall not mean the beneficial owners of the Series 2018A Bonds.

Principal of and interest on the Series 2018A Bonds (interest payable May 15 and November 15 of each year, commencing May 15, 2018) are payable by U.S. Bank National Association, Salt Lake City, Utah, as Paying Agent, to the registered owners of the Series 2018A Bonds, initially Cede & Co., as nominee of DTC. See “THE SERIES 2018A BONDS—Book Entry Only System” below.

## **Transfer or Exchange**

Except as described under “THE SERIES 2018A BONDS—Book-Entry Only System” below, in all cases in which the privilege of exchanging or transferring the Series 2018A Bonds is exercised, the City shall execute, and the Registrar shall authenticate and deliver, the Series 2018A Bonds in accordance with the provisions of the Indenture. For every such exchange or transfer of the Series 2018A Bonds, the City or the Registrar may make a charge sufficient to reimburse it for any tax, fee, or other governmental charge required to be paid with respect to such exchange or transfer of the Series 2018A Bonds, but may impose no other charge therefor.

The Registrar, shall not be required to transfer or exchange any Series 2018A Bond (i) during the period from and including any Regular Record Date, to and including the next succeeding Interest Payment Date; (ii) during the period from and including the day fifteen days prior to any Special Record Date, to and including the date of the proposed payment pertaining thereto; (iii) during the period from and including the day fifteen days prior to the mailing of notice calling any Series 2018A Bonds for redemption, to and including the date of such mailing; or (iv) at any time following the mailing of notice calling such Series 2018A Bond for redemption.

## **Tax-Exempt Status**

In the opinion of Gilmore & Bell, P.C., Bond Counsel to the City, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”), (1) the interest on the Series 2018A Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax and (2) the Series 2018A Bonds are “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code. Bond Counsel is also of the opinion that the interest on the Series 2018A Bonds is exempt from State of Utah individual income taxes. See “TAX MATTERS” in this Official Statement. Bond Counsel expresses no opinion regarding any other tax consequences relating to ownership or disposition of or the accrual or receipt of interest on the Series 2018A Bonds.

**Conditions of Delivery, Anticipated Date, Manner, and Place of Delivery**

The Series 2018A Bonds are offered, subject to prior sale, when, as, and if issued and received by George K. Baum & Company, as underwriter (the "Underwriter"), subject to the approval of legality by Gilmore & Bell, P.C., Bond Counsel to the City, and certain other conditions. Certain matters relating to disclosure will be passed upon by Gilmore & Bell, P.C., Disclosure Counsel to the City. Certain legal matters will be passed on for the City by Cohne Kinghorn, P.C., Salt Lake City. Lewis Young Robertson & Burningham, Inc. is acting as municipal advisor to the City in connection with the issuance of the Series 2018A Bonds. See "LEGAL MATTERS" below. It is expected that the Series 2018A Bonds in book-entry form will be available for delivery on or about March 15, 2018.

**Basic Documentation**

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Brief descriptions of the City, the Series 2018A Bonds, and the Indenture are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Indenture are qualified in their entirety by reference to such document, and references herein to the Series 2018A Bonds are qualified in their entirety by reference to the form thereof included in the Indenture and the information with respect thereto included in the aforementioned document, copies of which are available for inspection at the principal office of the Trustee on or after the delivery of the Series 2018A Bonds. During the period of the offering of the Series 2018A Bonds, copies of the form of such document will be available from the "Contact Persons" as indicated below. Also see "APPENDIX B—EXCERPTS OF CERTAIN PROVISIONS OF THE GENERAL INDENTURE" below.

**Contact Persons**

The chief contact person for the City concerning the Series 2018A Bonds is:

Ifo Pili  
City Administrator  
1650 East Stagecoach Run  
Eagle Mountain, Utah 84005  
Telephone: (801) 789-6600  
ipili@emcity.org

Additional requests for information may be directed to the City's Municipal Advisor as follows:

Laura Lewis  
Principal  
Lewis Young Robertson & Burningham, Inc.  
41 North Rio Grande, Suite 101  
Salt Lake City, Utah 84101  
Telephone: (801) 596-0700  
laura@lewisyoung.com

**THE SERIES 2018A BONDS**

**General**

The Series 2018A Bonds will be dated the date of their issuance and will mature on November 15, of the years and in the amounts as set forth on the inside front cover page of this Official Statement. The Series 2018A Bonds shall bear interest from their date at the rates set forth on the inside front cover page of this Official Statement. Interest on the Series 2018A Bonds is payable on May 15, 2018, and semiannually thereafter on May 15 and November 15 of each year (each in "Interest Payment Date"). Interest on the Series 2018A Bonds shall be

computed on the basis of a 360-day year of twelve 30-day months. U.S. Bank National Association, Salt Lake City, Utah, is the Bond Registrar, Paying Agent and Trustee for the Series 2018A Bonds under the Indenture (in such respective capacities, the “Bond Registrar,” “Paying Agent” and “Trustee”).

The Series 2018A Bonds will be issued as fully registered Series 2018A Bonds, initially in book-entry form, in denominations of \$5,000 or any integral multiple thereof, not exceeding the amount of each maturity.

The Series 2018A Bonds are special limited obligations of the City, payable solely from the Net Revenues, moneys, securities, and funds pledged therefor in the Indenture. Neither the credit nor the taxing power of the City, the State or any agency, instrumentality, or political subdivision thereof is pledged for the payment of the principal of, premium, if any, or interest on the Series 2018A Bonds. The Series 2018A Bonds are not general obligations of the City or the State or any agency, instrumentality, or political subdivision thereof. The issuance of the Series 2018A Bonds shall not directly, indirectly, or contingently obligate the City or the State or any agency, instrumentality, or political subdivision thereof to levy any form of taxation therefor or to make any appropriation for the payment of the Series 2018A Bonds.

Interest on the Series 2018A Bonds will be paid on each Interest Payment Date to the registered owner thereof (initially DTC) who is the registered owner at the close of business on the Regular Record Date for such interest, which shall be the fifteenth day (whether or not a business day) next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the registered owner of any Series 2018A Bonds on such Regular Record Date, and may be paid to the registered owner thereof at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice thereof to be given to such registered owner not less than ten days prior to such Special Record Date. The principal of and premium, if any, on the Series 2018A Bonds are payable upon presentation and surrender thereof at the principal corporate trust office of the Trustee. Interest shall be paid by check or draft mailed on each Interest Payment Date to the registered owner (initially DTC) of each of the Series 2018A Bonds as the name and address of such registered owner appear on the record date in the Register.

## **Redemption**

[Optional Redemption. The Series 2018A Bonds maturing on or prior to November 15, 20\_\_\_, are not subject to redemption prior to maturity. The Series 2018A Bonds maturing on or after November 15, 20\_\_\_, are subject to redemption prior to maturity at the option of the City in whole or in part on any Business Day on and after November 15, 20\_\_\_, upon not less than 30 nor more than 60 days prior notice at the redemption price of 100% of the principal amount of the Series 2018A Bonds to be redeemed plus accrued interest to the date of redemption (but without premium).]

Notice of Redemption. In the event any of the Series 2018A Bonds are called for redemption as aforesaid, notice thereof identifying the Series 2018A Bonds to be redeemed will be given by the Trustee, by mailing a copy of the redemption notice by registered or certified mail not less than 30 nor more than 60 days prior to the date fixed for redemption to the Registered Owner of each Series 2018A Bond to be redeemed at the address shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceeding for the redemption of any Series 2018A Bond with respect to which no such failure has occurred. Any notice mailed as provided in this paragraph shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives the notice. All Series 2018A Bonds so called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit with the Trustee at that time.

If at the time of mailing of any notice of optional redemption there shall not be on deposit with the Trustee moneys sufficient to redeem all the Series 2018A Bonds called for redemption, such notice shall state that such redemption is conditioned upon receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of and interest on such Bonds to be redeemed and that if such moneys shall not have been so received by the redemption date, said notice shall be of no force and effect and the City shall not be required to redeem such Bonds.



**Selection for Redemption.** If fewer than all the Series 2018A Bonds are to be redeemed, the particular Series 2018A Bonds or portions of Series 2018A Bonds to be redeemed shall be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate. In case any Series 2018A Bond shall be redeemed in part only, upon the presentation of such Series 2018A Bond for such partial redemption the City shall execute and the Trustee shall authenticate and shall deliver or cause to be delivered to or upon the written order of the Registered Owner thereof, at the expense of the City, a Bond or Bonds of the same series, interest rate, and maturity, in aggregate principal amount equal to the unredeemed portion of such Series 2018A Bond. The portion of any Series 2018A Bond of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or an integral multiple thereof and in selecting portions of such Series 2018A Bonds for redemption, each such Series 2018A Bond shall be treated as representing that number of Series 2018A Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Series 2018A Bonds by \$5,000.

**Book-Entry Only System**

The Series 2018A Bonds originally will be issued solely in book-entry form to The Depository Trust Company (“DTC”) or its nominee, Cede & Co., to be held in DTC’s book-entry only system. So long as such Series 2018A Bonds are held in the book-entry only system, DTC or its nominee will be the registered owner or Holder of such Series 2018A Bonds for all purposes of the Indenture, the Series 2018A Bonds and this Official Statement. Purchases of beneficial ownership interests in the Series 2018A Bonds may be made in the denominations described above. For a description of the book-entry system for the Series 2018A Bonds, see “APPENDIX F—PROVISIONS REGARDING BOOK-ENTRY ONLY SYSTEM.”

**PLAN OF REFUNDING**

The Series 2018A Bonds are being issued to redeem prior to their maturity the Refunded Bonds to produce an economic savings. The Refunded Bonds will be redeemed on or about the issuance of the Series 2018A Bonds at their redemption price (equal to 100% of the principal amount of the Refunded Bonds plus accrued interest thereon). The following table sets forth the maturity dates, the maturity amounts, and interest rate of the Refunded Bonds scheduled to be refunded:

Scheduled Maturity (November 15)	Principal Amount	Interest Rate
2018	\$400,000	5.00%
2021*	1,310,000	5.00
2025*	2,060,000	4.75

\* Final maturity of term bond.

**ESTIMATED SOURCES AND USES OF FUNDS**

The sources and uses of funds in connection with the issuance of the Series 2018A Bonds are estimated to be as follows:

**Sources of Funds**

Par Amount of Series 2018A Bonds .....	\$
[Net] Reoffering Premium .....	
<b>Total Sources .....</b>	<b>\$</b>

**Uses of Funds**

Refunding of Refunded Bonds.....	\$
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Costs of Issuance<sup>(1)</sup> .....

Total Uses ..... \$

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<sup>(1)</sup> Includes Underwriter's discount, legal and Trustee fees and expenses, and other costs incurred in connection with the issuance of the Series 2018A Bonds.

## DEBT SERVICE SCHEDULE

The following table sets forth the debt service requirements of the Series 2018A Bonds and the Outstanding Parity Bonds.

<u>Year</u>	<u>Principal*</u>	<u>Interest</u>	<u>Total Principal and Interest</u>	<u>Outstanding Parity Bonds<sup>(1)</sup></u>	<u>Fiscal Total</u>
2018	\$415,000				
2019	420,000				
2020	425,000				
2021	445,000				
2022	455,000				
2023	480,000				
2024	500,000				
2025	515,000				
2026	-				
2027	-				
2028	-				
2029	-				
2030	-				
2031	-				
2032	-				
2033	-				
2034	-				
<b>TOTAL</b>	<b><u>\$3,655,000</u></b>				

<sup>(1)</sup> Includes principal and interest; assumes the refunding of the Refunded Bonds.

\* Preliminary; subject to change.

(Source: The Municipal Advisor.)

## SECURITY FOR THE BONDS

### Pledge of the Indenture

The Series 2018A Bonds, the Outstanding Parity Bonds, and any other Bonds hereafter issued pursuant to the Indenture are secured equally and ratably by a pledge of (i) the Net Revenues, (ii) all moneys in funds and accounts held by the Trustee under the Indenture (except the Rebate Fund), and (iii) all other rights granted under the Indenture. The Series 2018A Bonds are special limited obligations of the City and are payable exclusively from the Net Revenues, moneys, funds and accounts held under the Indenture. As defined under the Indenture, "Net Revenues" means the Revenues after provision has been made for the payment therefrom from Operation and Maintenance Expenses.

"Revenues" means all revenues, fees, impact fees (to the extent legally pledged by the City with respect to Water and Sewer improvements financed with Bond proceeds), income, rents and receipts received or earned by the City from or attributable to the ownership and operation of the System (including proceeds of business interruption insurance), together with all interest earned by and profits derived from the sale of investments in the related funds thereof.

"Operation and Maintenance Expenses" means all expenses reasonably incurred in connection with the operation and maintenance of the System, whether incurred by the City or paid to any other entity pursuant to contract or otherwise, necessary to keep the System in efficient operating condition, including cost of audits required under the Indenture, payment of promotional and marketing expenses and real estate brokerage fees, payment of premiums for the insurance required by the Indenture, Administrative Costs and, generally all expenses, exclusive of depreciation (including depreciation related expenses of any joint venture) and, any in-lieu of tax transfers to City funds and interest expense for interfund loans from City funds, which under generally accepted accounting practices are properly allocable to operation and maintenance; however, only such expenses as are reasonably and properly necessary to the efficient operation and maintenance of the System shall be included.

Neither the faith and credit nor the taxing power of the City is pledged as security for the Series 2018A Bonds. The Series 2018A Bonds do not constitute general obligations of the City or of any other entity or body, municipal, state or otherwise. The Indenture does not pledge any System properties. For a description of the System, rates and charges for services provided by the System and moneys available for use in connection with the System, see "THE SYSTEM—The Water System," and "—The Sewer System" herein.

### No Debt Service Reserve Requirement

There is no Debt Service Reserve Requirement for the Series 2018A Bonds and no Debt Service Reserve Account will be funded with respect to the Series 2018A Bonds.

### Flow of Funds

All Revenues shall be accounted for and maintained by the City separate and apart from all other accounts of the City and which shall be expended and used by the City only in the manner and order of priority specified below:

- (a) First, to pay all Operation and Maintenance Expenses of the System as the same become due and payable;
- (b) Second, to pay the principal of, premium, if any, and interest on all Bonds outstanding under the Indenture;
- (c) Third, to the extent the Debt Service Reserve Requirement is not funded with a Reserve Instrument or Instruments, to make all payments to the account in the Debt Service Reserve Fund and, as applicable, to the Reserve Instrument Fund in the amount required by the Indenture to be on deposit therein;



(d) Fourth, to deposit in the Repair and Replacement Fund any amount required by any Supplemental Indenture to accumulate therein the Repair and Replacement Reserve Requirement; and

The Net Revenues remaining after the foregoing deposits and transfers and not required to be used for remedying any defaults in the payments previously made into the funds described above may be used at any time for (i) the redemption of Bonds, (ii) the refinancing, refunding, or advance refunding of any Bonds, (iii) deposit to the Rate Stabilization Fund, or (iv) for any other lawful purpose. See “APPENDIX B—EXCERPTS OF CERTAIN PROVISIONS OF THE GENERAL INDENTURE—Application of Revenues,” herein.

### **Rate Covenant**

The City covenants in the Indenture that so long as any of the Bonds or any Repayment Obligations are outstanding, the rates including connection fees, for all services supplied by the System to the City and to its inhabitants and to all customers within or without the boundaries of the City, shall be sufficient to pay the Operation and Maintenance Expenses for the System, and to provide Net Revenues for each Bond Fund Year of not less than 115% of the Aggregate Annual Debt Service Requirement for such year, plus an amount sufficient to fund the Debt Service Reserve Fund in the time, rate and manner specified in the Indenture, provided, however, that such rates must be reasonable rates for the type, kind and character of the service rendered. The City agrees that should its annual financial statements disclose that during the period covered by such financial statements the Net Revenues were not at least equal to the above requirement, the City shall request that a Qualified Engineer make recommendations as to the revision of the rates, charges and fees and that the City on the basis of such recommendations will revise the schedule of rates, charges and fees insofar as is practicable and further revise Operation and Maintenance Expenses so as to produce the necessary Net Revenues required by the Indenture.

“Aggregate Annual Debt Service Requirement” means the total Debt Service (including any Repayment Obligations) for any one Bond Fund Year (or other specified period) on all Series of Bonds Outstanding or any specified portion thereof.

### **Outstanding Parity Bonds**

The City issued the Outstanding Parity Bonds to finance or refinance improvements to the System. Upon the refunding of the Refunded Bonds, the Outstanding Parity Bonds will be outstanding in the aggregate principal amount of [\$17,351,000]. The Outstanding Parity Bonds were issued pursuant to the terms of the General Indenture and are secured by Net Revenues on a parity with the Series 2018A Bonds.

### **Additional Bonds**

No additional indebtedness, Bonds or notes of the City payable on a priority to the pledge of Net Revenues for the payment of the Series 2018A Bonds and the Outstanding Parity Bonds shall be created or incurred without the prior written consent of the owners of 100% of the Outstanding Bonds. In addition, no Additional Bonds or other indebtedness, Bonds or notes of the City payable on a parity with the Series 2018A Bonds and the Outstanding Parity Bonds out of Net Revenues shall be created or incurred, unless the requirements of the Indenture have been satisfied. See “APPENDIX B—EXCERPTS OF CERTAIN PROVISIONS OF THE GENERAL INDENTURE—The Bonds” for a list of the various requirements that need to be satisfied.

[On or about the same time as the issuance of the Series 2018A Bonds, the City plans to issue its Water and Sewer Revenue Bonds, Series 2018B in the aggregate principal amount of approximately \$1,283,000. The Series 2018B Bonds will be issued under the Indenture and on a parity with the Series 2018A Bonds and the Outstanding Parity Bonds.]

## THE SYSTEM

### General

The City owns and operates the Water System and the Sewer System. The Water System and the Sewer System constitute the System, and the Net Revenues generated from the operation of the System are pledged to pay principal and interest on the Bonds. Set forth below is a description of both the Water System and the Sewer System.

### The Water System

General. The Water System includes approximately 100 miles of pipe, five wells (four active), and two booster pumping systems to pump water to five separate storage tanks with a total storage capacity of 9 million gallons. The tanks are buried, reinforced, concrete tanks capable of providing 360,000 gallons of fire storage (1,500 gallons per minute for four hours). In total, the System has the capacity to pump 14,976,000 gallons per day. As a prerequisite to new construction, developers are required to donate sufficient water rights to the City as a condition of approval by the City of their proposed new development.

Water Supplies. The City is located in an area known as Cedar Valley. The primary availability for culinary water in Cedar Valley is comprised of underground water sources. The City has drilled four test wells and is continuing to search for additional water sources. The U.S. Geological Survey estimates that approximately 22,000 acre-feet of water annually is moving through the groundwater system in Cedar Valley from the mountains on the west to Utah Lake on the east. The State Engineer's office believes that approximately 18,000 acre-feet of the water estimated by the U.S. Geological Survey can be withdrawn from the ground and made available for use in Cedar Valley. The pending hydrologic study of available groundwater is intended to add information to the groundwater science available for Cedar Valley based on exploratory drilling by the City and other information. On the average, a single residence uses about .75 acre-feet of water annually. The City believes that while the available groundwater resource is limited, the groundwater resource in Cedar Valley available to the City should be adequate for the foreseeable future.

Water Rights, Licenses, Permits, Approvals and Environmental Considerations. The City is perfecting all necessary state water rights concerning deep water wells. The City has obtained all necessary state and local licenses, permits and approvals to operate the Water System.

Environmental Matters. The Water System is currently in compliance with the provisions of all environmental laws and regulations applicable to its operations, including, but not limited to, the Safe Drinking Water Act of 1986 and the Utah Safe Drinking Water Act, and laws and regulations applicable to disposal of solid and hazardous waste. The Water System is also in compliance with all environmental, health and safety laws and regulations applicable to the use and disposal of chemicals used by the Water System to make water potable.

Water System Customers. The following table shows the number of customers (reflected in number of connections) served by the Water System as of June 30, for the fiscal years shown.

<u>Fiscal Year</u>	<u>Total Connections</u>
2017	8,121
2016	6,939
2015	6,470
2014	6,142
2013	5,870
2012	5,642

Water System Production and Consumption. The following table sets forth (i) the total amount of water produced by the City, (ii) the total amount of water consumed by the Water System customers, (iii) the total number of customers (reflected in ERUs) and (iv) the average monthly consumption per customer for each month during the fiscal years ended June 30, 2017.

<u>Period</u>	<u>Total Water Produced (gallons)</u>	<u>Water Consumed (gallons)</u>	<u>Number of Customers (ERUs)</u>	<u>Avg. Monthly Consumption per Customer</u>
July 2016	365,155,000	312,930,810	7,492	41,769
August 2016	370,496,000	325,924,480	7,539	43,232
September 2016	255,481,000	293,924,480	7,613	38,608
October 2016	122,502,000	108,760,320	7,660	14,198
November 2016	62,064,000	61,553,460	7,722	7,971
December 2016	51,081,000	59,446,170	7,759	7,662
January 2017	51,424,000	48,542,040	7,813	6,213
February 2017	47,697,000	45,970,720	7,873	5,839
March 2017	57,585,000	43,348,520	7,923	5,471
April 2017	73,525,000	62,227,150	7,986	7,792
May 2017	125,282,000	132,857,800	8,059	16,486
June 2017	<u>290,254,000</u>	<u>339,284,310</u>	<u>8,124</u>	<u>41,763</u>
Fiscal Year Total	1,872,546,000	1,834,770,260	7,797 (average)	19,750 (average)

The gallons consumed and number of customers are computed by billing cycle and do not follow the calendar month. The water production does follow the calendar month, thus leading to a difference in the production versus consumption data. Also, the number of customers/ERUs is more than connections shown in the preceding table due to multifamily units sharing one connection.

Water System Sales. The following table sets forth the total Water System sales in gallons and in gross revenues resulting from those sales for the fiscal years shown.

<u>Fiscal Year</u>	<u>Gallons Sold<sup>(1)</sup></u>	<u>Revenues</u>
2017	1,826,143	\$3,656,616
2016	1,707,980	2,971,847
2015	1,471,066	2,756,570
2014	1,397,929	2,605,451
2013	1,581,273	2,604,749
2012	1,446,017	2,443,219

<sup>(1)</sup> In 1,000s.

Largest Water System Customers. The following table sets forth the ten largest customers of the Water System for the fiscal year ended June 30, 2017.

<u>Customer</u>	<u>Type</u>	<u>Gallons Sold (in 1,000s)</u>	<u>Sales</u>	<u>% of Total Water System Revenues<sup>(1)</sup></u>
The City	Government	73,853	\$38,086	1.04%
Ranches Master HOA <sup>(2)</sup>	Institutional	58,694	48,755	1.33
Saratoga Springs FM Group	Institutional	41,593	38,674	1.06
Alpine School District	Institutional	30,783	26,307	0.72
Willow Springs HOA <sup>(3)</sup>	Commercial	24,812	95,209	2.60
Rock Creek HOA <sup>(3)</sup>	Commercial	21,702	60,802	1.66
Silverlake Master HOA	Commercial	9,692	10,633	0.29
TM Crushing	Commercial	9,163	7,930	0.22
Park Place Owners Assoc.	Commercial	8,332	8,046	0.22
Plum Creek HOA	Commercial	5,445	4,836	0.13
Total Billed		<u>283,799</u>	<u>\$339,278</u>	<u>9.28%</u>

<sup>(1)</sup> Based on total Water System Revenues for fiscal year 2017 of \$3,656,616.

<sup>(2)</sup> This homeowners' association had a water allowance granted from the City in exchange for watering City-owned open space. However, during the period shown above, the HOA dissolved and the City assumed responsibility for watering the open space that had been under the control of the HOA.

<sup>(3)</sup> These customers are multiplex condominiums which pay a \$240 monthly base rate per building (12 units per building with each unit charged a \$20 per month base rate).

Water System Rates. The City has full and independent power, as granted by State law, to establish revenue levels and rate design for water service provided by the City. Rates are adopted pursuant to resolutions of the City Council. The City is not subject to rate regulation by any state or federal regulatory body, and is empowered to set rates effective at any time. The City bases its water rates on a base rate plus the amount of use of the water by the customer. All customers, regardless of classification are charged the same fees. The following tables set forth the rates currently in effect for the Water System:

#### Water System Rates

Deposit <sup>(1)</sup>	\$40.00
Base Rate	\$20.00 per month
plus Usage	<u>Small Lots</u>
	\$0.80 per 1,000 gallons, 0-65,000 gallons monthly
	\$0.85 per 1,000 gallons, 65,000-115,000 gallons monthly
	\$0.90 per 1,000 gallons, 115,000-165,000 gallons monthly
	\$0.95 per 1,000 gallons, over 165,000 gallons monthly
plus Usage	<u>Large Lots</u>
	\$0.80 per 1,000 gallons, 0-120,000 gallons monthly
	\$0.85 per 1,000 gallons, 120,000-170,000 gallons monthly
	\$0.90 per 1,000 gallons, 170,000-230,000 gallons monthly
	\$0.95 per 1,000 gallons, over 230,000 gallons monthly
plus Usage	<u>Commercial</u>
	\$0.80 per 1,000 gallons, 0-170,000 gallons monthly
	\$0.85 per 1,000 gallons, 170,000-220,000 gallons monthly
	\$0.90 per 1,000 gallons, over 220,000 gallons monthly
plus Usage	<u>Institutional</u>
	\$0.80 per 1,000 gallons, 0-500,000 gallons monthly
	\$0.85 per 1,000 gallons, 500,000-750,000 gallons monthly
	\$0.90 per 1,000 gallons, over 750,000 gallons monthly

<sup>(1)</sup> Deposits are refundable after one year if payments have been received on time.

### Connection Fee

<u>Meter Size</u>	<u>Connection Fee</u>
3/4"	\$450
1"	640
1 1/2"	1,260
2"	1,920
3"	3,600
4"	5,120

### The Sewer System

General. The Sewer System consists of approximately 41 miles of collectors and interceptors. Sewer service in the City is separated into two service areas based on drainage basins: the North Service Area (“NSA”) and the South Service Area (“SSA”). Collection systems are constructed in both areas. Wastewater from the NSA is transported for treatment to the treatment plant owned and operated by the Timpanogos Special Service District (“TSSD”). The wastewater is transported to TSSD for treatment pursuant to an agreement between TSSD and the City. The City’s wastewater treatment plant, operation of the collectors, interceptors, and pumps is currently being administered by the City. Following is a description of each service area and their respective treatment process.

*NSA Treatment Process.* Wastewater from the NSA is collected from developments and transported to the TSSD outfall line. The 50-year agreement with TSSD provides for treatment of the wastewater for a specific treatment cost.

*SSA Treatment Process.* Wastewater from the SSA is collected from developments in the city center and flows to the City’s treatment facility. The City’s treatment facility commenced operation in 2010. The City treatment facility uses a biologically activated sludge treatment process which treats up to 1.2 million gallons per day or the needs of approximately 5,000 homes. The treatment facility uses a cannibal solids reduction process by Siemens Corp. which reduces the amount of solids discharged from the facility and reduces the cost for disposal of solids. The treated water is then discharged into lined holding ponds and from there is sent through pipes to a rapid infiltration pond which allows the water to naturally percolate back into the ground.

Septic Tank Usage. Pursuant to City policy, any lot that is one-half acre or larger in size and farther than 300 feet from a main line can operate on its own septic system and is not required to connect to the Sewer System. While septic systems are allowed, the City reports that such systems represent an insignificant portion of the population of the City. Based upon historical and existing developments and master plans approved and on file with the City, approximately 95% of all residences will be connected to the Sewer System at build-out. The City cannot make any prediction regarding the nature of development within the City and how many residences will connect to the Sewer System.

Sewer System Customers and Usage. The following tables set forth (1) the number of service connections to the Sewer System for the fiscal years shown and (2) Sewer System usage in the two service areas.

### Connections

<u>Fiscal Year</u>	<u>NSA</u>	<u>SSA</u>	<u>Total</u>	<u>% Change</u>
2017	5,206	2,166	7,372	6.12%
2016	4,936	2,011	6,947	4.40
2015	4,695	1,959	6,654	5.89
2014	4,417	1,867	6,284	6.71
2013	4,053	1,836	5,889	4.56
2012	3,842	1,790	5,632	2.57



**Usage**

SSA

<u>Fiscal Year</u>	<u>Peak gal/day</u>	<u>Average</u>
2017	819,456	407,311
2016	595,012	396,178
2015	675,301	372,066
2014	517,278	364,793
2013	456,060	344,194
2012	447,920	346,759

NSA

(Average Usage)

<u>Fiscal Year</u>	<u>Gallons</u>
2017	22,152,500
2016	27,726,595
2015	24,110,083
2014	20,154,417
2013	22,977,250
2012	20,797,500

Wastewater Treatment. The following table sets forth (i) the total amount of wastewater treated by the City and the TSSD, (ii) the total number of customers and (iii) the average monthly usage per customer for each month during the Fiscal Year ended June 30, 2017.

<u>Period</u>	<u>Wastewater Treated (gallons)</u>	<u>Number of Customers (ERUs)</u>	<u>Avg. Monthly Usage per Customer</u>
July 2016	36,473,298	6,775	5,384
August 2016	40,310,230	6,817	5,913
September 2016	33,616,140	6,877	4,888
October 2016	35,663,857	6,920	5,154
November 2016	35,759,820	6,970	5,131
December 2016	31,332,692	7,002	4,475
January 2017	31,634,694	7,053	4,485
February 2017	26,499,620	7,108	3,728
March 2017	30,114,299	7,154	4,209
April 2017	34,144,530	7,216	4,732
May 2017	36,821,211	7,283	5,056
June 2017	<u>42,086,520</u>	<u>7,342</u>	<u>5,732</u>
Fiscal Year Total	414,456,911	7,043 (average)	4,907 (average)

Users of the Sewer System. Almost all of the users of the Sewer System are residential customers and an insignificant number of customers are commercial customers. No industrial users are currently served by the Sewer System.

Sewer System Sales. The following table sets forth the total sales for the Sewer System for the fiscal years shown.

<u>Fiscal Year</u>	<u>Sales</u>	<u>Percent Change</u>
2017	\$3,658,253	12.85%
2016	3,241,737	9.06
2015	2,972,393	11.98
2014	2,654,302	3.70
2013	2,559,484	2.74
2012	2,491,111	-

Sewer System Rates. The City bills for sewer services according to two classes: residential and other. "Other" includes commercial and industrial classes. The City is not subject to rate regulation by any state or federal regulatory body, and is empowered to set rates effective at any time. Rates are adopted pursuant to resolution of the City Council. The following table sets forth the current rates for the Sewer System:

<u>Class</u>	<u>Usage Rate</u>	<u>NSA Treatment Fee<sup>(1)</sup></u>	<u>SSA Bond Payment<sup>(2)</sup></u>	<u>Connection Fee</u>
Residential	\$15.25	\$25.89	\$27.75	\$100/ERU
Other	80% of culinary water usage	-	-	-

- (1) The NSA treatment fee is \_\_\_\_\_.
- (2) The SSA bond payment is \_\_\_\_\_.

Licenses, Permits and Approvals. The City reports that it holds all licenses, permits and approvals necessary for the operation of the Sewer System.

### Capacity and Demand

The tables below show the existing capacity and demand in the System and anticipated future capacity of the System against existing demand as of fiscal year 2017.

#### Existing Capacity vs. Existing Demand

<u>Utility Description</u>	<u>Existing Utility Capacity</u>	<u>Units</u>	<u>Existing Demand</u>	<u>Excess Capacity</u>
Culinary Water Pump	10,300	gpm	8,300	2,000
Culinary Water Storage	9,000,000	gpd	6,000,000	3,000,000
Sewer System (NSA)	2,190,000	gpd	775,000	1,415,000
Sewer System (SSA)	1,200,000	gpd	400,000	800,000

#### Future Capacity vs. Existing Demand

<u>Utility Description</u>	<u>Future Utility Capacity</u>	<u>Units</u>	<u>Existing Demand</u>	<u>Excess Capacity</u>
Culinary Water Pump	10,300	gpm	8,300	2,700
Culinary Water Storage	9,000,000	gpd	6,000,000	3,000,000
Sewer System (NSA)	2,190,000	gpd	775,000	1,415,000
Sewer System (SSA)	1,200,000	gpd	400,000	800,000

## **Billing and Collection Procedures**

The City employs a combined billing statement for all utilities, including the System. Customer accounts are due and payable by the end of the month in which the billing occurred. Customers who do not pay the full amount of the bill within the allotted time period are in default and are subject to disconnection and collection of the delinquent amounts. The City reports that approximately 2% of accounts are not paid within 30 to 60 days and less than 1% of accounts remain delinquent after 90 days.

Each utility invoice not paid when due is considered delinquent and the delinquent customer is provided a final account notice within ten days after the first working day of the month. The final notice states that if full payment of the past due balance is not received within seven days after the final notice that their utility services will be subject to termination. Customers are invited to contact City staff during the seven-day final account notice period to arrange a deferred payment schedule which may be approved by the City. Services terminated for non-payment of delinquent accounts shall not be reinstated until payment of the delinquent account is received or an acceptable deferred payment contract is approved by the City and the initial payment required under the deferred payment schedule is received by the City together with the reconnect fee of \$50 to reimburse the City for the professional services necessary to reinstate the utility service. A deferred schedule contract may be entered with a delinquent customer, provided that the deferred payment schedule does not extend for a period of more than one year, provides for a specific amount to be paid each month together with interest at the rate of 1% per month. Customers who do not comply with the terms of an executed deferred payment schedule contract are subject to termination of service after the City provides the final notice. Service terminated after default on a deferred payment contract form shall not be reinstated until the entire past due amount is paid in full. The City may, at its discretion, require an additional utility deposit be paid up to an amount equal to two times the average monthly billing for the utility service.

## **Impact Fees**

Under State law, a municipality is allowed to impose impact fees in connection with operation of utilities. "Impact fees" are defined to mean a payment of money imposed upon development activity as a condition of development approval. The impact fee must be a reasonable charge for the facilities provided. Before imposing an impact fee, a municipality must establish a capital facilities plan that identifies, among other things, the demands placed upon existing facilities by new development activity. Municipalities may only expend impact fees for (i) system improvements for public facilities identified in the capital facilities plan, (ii) system improvements for the specific public facility type for which the fee was collected, or (iii) debt service on obligations used to finance such system improvements. The impact fees cannot be used to pay operation and maintenance expenses of the related public facility.

Prior to 2000, water and sewer projects in the City were funded by developers. After 2000, the City began collecting impact fees to fund the projects. The dollar amount of the impact fee collected varies and is dependent upon the subdivision being developed.

## **Future Projects**

The City's Water and Sewer Capital Facilities Plans were last updated in 2015. Short-term projects (within the next five years) as outlined in these plans include booster pumps and expansion or parallel lines. The total cost of these projects is expected to be less than \$4 million and the City anticipates applying impact fees to pay for the costs of these projects. However, the City may explore financing with the State of Utah if the City believes such financing would be beneficial to the City.



### Historic Operating Results

The following table sets forth the Revenues, Operations, and Maintenance Costs and Net Revenues for the years shown:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Operating Revenues	\$4,901,041	\$5,127,547	\$6,403,209	\$6,730,973	\$7,030,223	\$7,419,679
Operating Expenses (less depreciation)	<u>(2,760,672)</u>	<u>(2,959,052)</u>	<u>\$(2,783,268)</u>	<u>(2,983,390)</u>	<u>(4,352,775)</u>	<u>(4,460,007)</u>
Net Revenues	<u>\$2,140,369</u>	<u>\$2,168,495</u>	<u>\$3,619,941</u>	<u>\$3,747,583</u>	<u>\$2,677,448</u>	<u>\$2,959,672</u>

### Historical and Pro Forma Debt Service Coverage

The following table sets forth historical and projected debt service coverage on the Bonds for the fiscal years shown.

The operating results of the System reflect the results of past operations and are not necessarily indicative of results of operations for any future period. Future operations will be affected by factors relating to changes in rates, other operating costs, environmental regulation, economic growth of the community, population, weather and other matters, the nature and effect of which cannot at present be determined.

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## HISTORICAL AND PRO FORMA DEBT SERVICE COVERAGE

Fiscal Year	Historical					Projected				
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Operating Revenue</b>										
<b>Charges for Services</b>										
Water charges	\$ 2,633,580	\$ 2,732,587	\$ 2,971,299	\$ 3,222,097	\$ 3,761,426	\$ 3,874,269	\$ 3,990,497	\$ 4,110,212	\$ 4,233,518	\$ 4,318,188
Sewer Charges	2,493,967	2,685,192	3,010,393	3,337,425	3,658,253	3,768,001	3,881,041	3,997,472	4,117,396	4,199,744
Other Operating Income (CWP Shares Sold & Transfer from Impact Fee Funds)	-	985,430	749,280	470,701	5,029,482	5,180,366	5,335,777	5,495,851	5,660,726	5,773,941
<b>Total Operating Revenues:</b>	<b>\$ 5,127,547</b>	<b>\$ 6,403,209</b>	<b>\$ 6,730,973</b>	<b>\$ 7,030,223</b>	<b>\$ 12,449,161</b>	<b>\$ 12,822,636</b>	<b>\$ 13,207,315</b>	<b>\$ 13,603,534</b>	<b>\$ 14,011,640</b>	<b>\$ 14,291,873</b>
<b>Operating Expenses</b>										
<b>Water Operating Expenses</b>										
Salaries and wages	\$ 408,488	\$ 508,714	\$ 435,283	\$ 505,617	\$ 507,684	\$ 527,991	\$ 549,111	\$ 571,075	\$ 593,918	\$ 611,736
Purchased Services	588,327	665,531	112,083	1,230,197	1,290,881	1,342,516	1,396,217	1,452,066	1,510,148	1,555,453
Supplies and materials	295,926	379,677	481,774	353,401	378,651	393,797	409,549	425,931	442,968	456,257
Miscellaneous	16,398	10,794	71,639	20,057	35,320	36,733	38,202	39,730	41,319	42,559
<b>Total Water Expenses</b>	<b>\$ 1,309,139</b>	<b>\$ 1,564,715</b>	<b>\$ 1,100,778</b>	<b>\$ 2,109,272</b>	<b>\$ 2,212,536</b>	<b>\$ 2,301,037</b>	<b>\$ 2,393,079</b>	<b>\$ 2,488,802</b>	<b>\$ 2,586,354</b>	<b>\$ 2,666,005</b>
<b>Sewer Operating Expenses</b>										
Salaries and wages	\$ 375,983	\$ 432,527	\$ 517,034	\$ 423,889	\$ 367,373	\$ 382,068	\$ 397,351	\$ 413,245	\$ 429,774	\$ 442,668
Purchased Services	1,215,159	727,130	901,881	1,620,212	1,744,821	1,814,614	1,887,198	1,962,686	2,041,194	2,102,430
Supplies and materials	39,629	48,442	60,035	179,412	89,442	93,020	96,740	100,610	104,634	107,774
Miscellaneous	19,142	10,452	403,661	19,990	45,835	47,668	49,575	51,558	53,620	55,229
<b>Total Sewer Expenses</b>	<b>\$ 1,649,913</b>	<b>\$ 1,218,552</b>	<b>\$ 1,882,612</b>	<b>\$ 2,243,503</b>	<b>\$ 2,247,471</b>	<b>\$ 2,337,370</b>	<b>\$ 2,430,865</b>	<b>\$ 2,528,099</b>	<b>\$ 2,629,223</b>	<b>\$ 2,708,100</b>
<b>Total Operating Expenses:</b>	<b>\$ 2,959,052</b>	<b>\$ 2,783,267</b>	<b>\$ 2,983,390</b>	<b>\$ 4,352,775</b>	<b>\$ 4,460,007</b>	<b>\$ 4,638,407</b>	<b>\$ 4,823,944</b>	<b>\$ 5,016,901</b>	<b>\$ 5,217,577</b>	<b>\$ 5,374,105</b>
<b>Non-Operating Revenue</b>										
Interest revenue (water system)	\$ 7,474	\$ 528	\$ 16,103	\$ 27,594	\$ 27,594	\$ 27,594	\$ 27,594	\$ 27,594	\$ 27,594	\$ 27,594
Interest revenue (sewer system)	9,122	1,602	20,737	35,665	35,665	35,665	35,665	35,665	35,665	35,665
Impact fees (water system)	678,318	325,533	1,041,004	1,816,740	3,434,524	3,434,524	3,434,524	3,434,524	3,434,524	3,434,524
Impact fees (sewer system)	156,013	69,941	54,720	377,663	1,017,125	1,017,125	1,017,125	1,017,125	1,017,125	1,017,125
<b>Total Nonoperating revenues (expenses)</b>	<b>\$ 850,927</b>	<b>\$ 397,604</b>	<b>\$ 1,132,564</b>	<b>\$ 2,257,662</b>	<b>\$ 4,514,908</b>	<b>\$ 4,514,908</b>	<b>\$ 4,514,908</b>	<b>\$ 4,514,908</b>	<b>\$ 4,514,908</b>	<b>\$ 4,514,908</b>
<b>Net Revenues Available for Debt Service:</b>	<b>\$ 3,019,422</b>	<b>\$ 4,017,545</b>	<b>\$ 4,880,147</b>	<b>\$ 4,935,110</b>	<b>\$ 12,504,062</b>	<b>\$ 12,699,137</b>	<b>\$ 12,898,279</b>	<b>\$ 13,101,541</b>	<b>\$ 13,308,971</b>	<b>\$ 13,432,677</b>
<b>Annual Bond Debt Service</b>										
Series 2007A (State DEQ Loan)	\$ 569,819	\$ 571,538	\$ 572,619	\$ 573,500	\$ 569,300	\$ 476,050	\$ -	\$ -	\$ -	\$ -
Series 2007B (Public Offering)	486,600	233,088	-	-	-	-	-	-	-	-
Series 2008A (WQB Loan)	181,820	193,650	219,350	243,780	273,950	301,800	329,350	361,600	388,500	420,100
Series 2013 (DEQ)		19,386	143,619	143,899	143,145	143,373	143,567	143,727	143,852	143,943
Series 2014 Refunding (2007B Bonds)			146,354	371,038	371,038	371,038	371,038	371,038	558,663	558,606
Series 2018A Refunding (2007 Bonds) <sup>1</sup>						20,833	535,850	530,400	522,725	529,675
Series 2018B (WQB Loan) <sup>2</sup>							51,140	51,755	51,365	50,975
<b>Total Bond Debt Service:</b>	<b>\$ 1,238,239</b>	<b>\$ 1,017,661</b>	<b>\$ 1,081,942</b>	<b>\$ 1,332,217</b>	<b>\$ 1,357,432</b>	<b>\$ 1,313,094</b>	<b>\$ 1,430,945</b>	<b>\$ 1,458,519</b>	<b>\$ 1,665,105</b>	<b>\$ 1,703,299</b>
<b>Projected Debt Service Coverage</b>	<b>2.44</b>	<b>3.95</b>	<b>4.51</b>	<b>3.70</b>	<b>9.21</b>	<b>9.67</b>	<b>9.01</b>	<b>8.98</b>	<b>7.99</b>	<b>7.89</b>
<b>Projected D/S Coverage w/out Impact Fees</b>	<b>1.76</b>	<b>3.56</b>	<b>3.50</b>	<b>2.06</b>	<b>5.93</b>	<b>6.28</b>	<b>5.90</b>	<b>5.93</b>	<b>5.32</b>	<b>5.27</b>

1. Preliminary, subject to change.

2. Preliminary; subject to change. The City plans to issue approximately \$1,283,000 of Series 2018B Bonds on or about the issuance of the Series 2018A Bonds to finance System improvements.

## **Management's Discussion and Analysis of Revenues**

All revenues of the City are accounted for within the General Fund, Special Revenue Funds, or Enterprise Funds. The General Fund includes governmental services such as municipal administration, law enforcement and emergency services, planning and building services, street maintenance, parks and recreation, and various community and cultural programs. The Special Revenue Funds consist of four separate Special Improvement Districts (SID's) which were created to fund certain City infrastructure and landscaping needs through special assessments of property owners within each of the SID's. Bonds relating to one of the special revenue funds have since been retired. The Enterprise Funds account for public utility operations of the City, including water, sewer, electric power, natural gas energy, and waste management services.

General Fund. General Fund Revenues increased approximately 6.6% from fiscal year 2014 to fiscal year 2015. The increase was due mostly to an increase in property tax revenue and licenses and fees revenue. From fiscal year 2015 to fiscal year 2016, the General Fund increased by 14%. The sale of a fire station and the continuing growth in building was mostly the reason. With the growth of the City continuing, the revenue increased by 11.14% from fiscal year 2016 to fiscal year 2017. The City anticipates General Fund revenue growth to remain at least 5% for the next several years barring any unforeseen changes in the national market that are beyond the City's control.

Special Revenue Funds. At the end of fiscal year 2017, the City had one special assessment bond issue outstanding: \$1,230,000 City of Eagle Mountain Special Assessment Bonds Series 2013. The City may create additional special assessment districts and issue special assessment bonds in the future to finance certain infrastructure improvements.

Enterprise Funds. Enterprise Fund operating revenue decreased 20% from fiscal year 2014 to fiscal year 2015. This decrease is due to the sale of the Electric Utility and Gas Utility to Rocky Mountain Power and Questar Gas respectively. The sale took place in March of 2015 approximately three and a half months before the end of the fiscal year. The City estimates that new utility connections will grow at a conservative rate of approximately 30 connections per month, resulting in combined Water, Sewer, and Solid Waste Collection Fund operating revenue growth at a rate of about 5% for the next several years. Because of the sale of the Electric and Natural Gas utilities as noted above, operating revenues for those funds have ceased.

Water and Sewer Funds. Water Fund operating revenue increased 3.6% from fiscal year 2014 to fiscal year 2015. Sewer Fund operating revenue increased 9.6% from fiscal year 2014 to fiscal year 2015. From fiscal year 2014 to fiscal year 2015 operating expenses increased by 15.4% in the Water Fund and 18.8% in the Sewer Fund. In the Water Fund, the largest increase came from Purchased Services and Supplies and Materials. Sewer Fund expenditures increased primarily in purchased services. From fiscal year 2015 to fiscal year 2016, the Water and Sewer Fund revenue increased by 4% and the expenses increased by 7%. Water Fund operating revenue increased by 17% and the Sewer Fund by 10%. Both were due to high growth. Water and Sewer Fund expenses increased by 5% and by less than 1% respectfully.

### **Five-Year Financial Summaries of the System**

The following tables set forth a summary of financial information pertaining to the System (i.e. the combined total of the water fund, relating to the Water System, and sewer fund, relating to the Sewer System) for the fiscal years indicated. While the information for these summaries has been extracted from the City's audited financial statements for the years indicated, the summaries have not been audited.

EAGLE MOUNTAIN CITY  
Statement of Net Position  
Proprietary Funds—Water and Sewer Funds  
(This summary has not been audited.)

	<u>Fiscal Year Ending June 30,</u>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>					
<i>Current Assets:</i>					
Cash and Cash Equivalents	\$7,330,378	\$3,897,796	\$3,092,620	\$2,650,504	\$1,350,659
Accts receivable - net	<u>1,045,660</u>	<u>1,005,964</u>	<u>1,034,225</u>	<u>1,024,830</u>	<u>951,833</u>
Total Current Assets	8,376,038	4,903,760	4,126,845	3,675,334	2,302,492
<i>Noncurrent Assets:</i>					
Restricted Cash and Investments	3,694,315	2,704,450	542,552	1,031,040	617,817
Net pension asset	—	41	469	—	—
Prepaid bond insurance—net	—	—	—	64,094	67,774
Land, equipment, buildings & improvements	89,820,949	82,359,243	76,947,544	69,797,682	66,649,762
Less accumulated depreciation	<u>(24,344,561)</u>	<u>(21,581,702)</u>	<u>(19,147,767)</u>	<u>(17,060,630)</u>	<u>(15,031,685)</u>
Total Noncurrent Assets	<u>69,170,703</u>	<u>63,482,032</u>	<u>58,342,798</u>	<u>53,832,186</u>	<u>52,303,668</u>
Total Assets	77,546,741	68,385,792	62,469,643	57,507,520	54,606,160
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Bond refunding costs - net	1,005,405	1,072,433	1,139,460	295,844	321,757
Pension related costs	<u>147,315</u>	<u>161,790</u>	<u>52,282</u>	—	—
Total deferred outflow of resources	<u>1,152,720</u>	<u>1,234,223</u>	<u>1,191,742</u>	295,844	321,757
Total Assets and Deferred Outflows	<u>78,699,461</u>	<u>69,620,015</u>	<u>63,661,385</u>	<u>57,803,364</u>	<u>54,927,917</u>
<b>LIABILITIES</b>					
<i>Current Liabilities:</i>					
Accts payable and accrued liabilities	1,572,547	1,516,163	154,761	488,088	363,011
Debt interest payable	84,593	86,875	41,676	102,155	98,520
Current portion of long-term debt	<u>1,315,577</u>	<u>1,877,897</u>	<u>933,000</u>	<u>892,000</u>	<u>750,000</u>
Total current liabilities	2,972,717	3,480,935	1,129,437	1,482,243	1,211,531
<i>Noncurrent Liabilities:</i>					
Deposits	44,520	24,390	18,090	167,780	140,513
Compensated Absences	38,562	33,530	30,058	26,973	36,625
Net pension liability	270,429	328,320	253,933	—	—
Long-term debt (net of current)	<u>21,939,522</u>	<u>22,429,090</u>	<u>24,583,018</u>	<u>24,471,723</u>	<u>23,343,379</u>
Total Noncurrent Liabilities	<u>22,293,033</u>	<u>22,815,330</u>	<u>24,885,099</u>	<u>24,666,476</u>	<u>23,520,517</u>
Total Liabilities	25,265,750	26,296,265	26,014,536	26,148,719	24,732,048
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related costs	82,233	76,300	33,055	—	—
<b>NET POSITION</b>					
Net Investment in Capital Assets	43,226,694	37,542,987	32,283,759	27,025,220	27,858,934
Restricted - impact fees	4,132,156	2,992,801	1,239,952	874,934	874,934
Unrestricted	<u>5,992,628</u>	<u>2,711,662</u>	<u>4,090,083</u>	<u>3,754,491</u>	<u>1,462,001</u>
Total net position	<u>53,351,478</u>	<u>43,247,450</u>	<u>37,613,794</u>	<u>31,654,645</u>	<u>30,195,869</u>
Total Liabilities, Deferred Inflows, & Net Position	<u>78,699,461</u>	<u>69,620,015</u>	<u>63,661,385</u>	<u>57,803,364</u>	<u>54,927,917</u>

(Source: This summary of financial information has been taken from the City's audited financial statements for the years 2013-2017. This summary has not been audited.)



EAGLE MOUNTAIN CITY  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Proprietary Funds—Water and Sewer Funds  
(This summary has not been audited.)

	<u>Fiscal Year Ended June 30,</u>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Operating Revenue:</i>					
Charges for Services (pledged)	\$7,457,863	\$6,559,522	\$6,084,170	\$5,569,465	\$5,127,547
Other operating income	<u>1,512</u>	<u>470,701</u>	<u>15,973</u>	<u>159,107</u>	—
Total Operating Revenues	7,459,375	7,030,223	6,100,143	5,728,572	5,127,547
<i>Operating Expenses:</i>					
Salaries & wages	875,057	929,506	905,072	922,298	784,471
Purchased services	3,035,702	2,850,409	2,211,934	1,497,082	1,803,486
Supplies & materials	468,093	532,813	583,101	432,290	335,555
Depreciation & amortization	2,626,840	2,433,935	2,045,076	2,032,625	1,873,337
Miscellaneous	<u>81,155</u>	<u>40,047</u>	<u>27,297</u>	<u>48,186</u>	<u>35,540</u>
Total Operating Expenses	<u>7,086,847</u>	<u>6,786,710</u>	<u>5,772,480</u>	<u>4,932,481</u>	<u>4,832,389</u>
Operating Income (Loss)	372,528	243,513	327,663	796,091	295,158
<i>Nonoperating Revenues (Expenses):</i>					
Interest revenue	3,232	63,259	310,061	17,788	16,596
Impact fees	—	—	—	1,055,451	834,331
Assessment revenue	—	—	—	422,424	—
Gain on sale of capital assets	519,452	—	—	—	—
Grant proceeds	—	54,000	200,000	—	18,000
Developer reimbursements	(467,048)	(397,183)	(194,109)	(92,893)	(16,677)
Bond refunding cost	(67,027)	(67,027)	(357,846)	(25,913)	(25,913)
Bond issuance costs	—	—	(222,198)	—	—
Interest expense and fiscal charges	<u>(639,775)</u>	<u>(776,795)</u>	<u>(713,968)</u>	<u>(860,275)</u>	<u>(801,467)</u>
Total nonoperating revenues (expenses)	<u>(651,166)</u>	<u>(1,123,746)</u>	<u>(978,060)</u>	<u>516,582</u>	<u>24,870</u>
Net income (loss) before contributions and transfers	(278,638)	(880,233)	(650,397)	1,312,673	320,028
Capital contributions <sup>(1)</sup>	5,730,753	3,377,786	3,784,408	539,766	166,140
Impact fees	4,451,649	3,136,103	2,047,664	—	—
Transfers in	630,091	—	1,163,499	—	—
Transfers out	<u>(129,827)</u>	—	<u>(117,265)</u>	<u>(393,663)</u>	<u>(330,000)</u>
Total contributions and transfers	<u>10,682,666</u>	<u>6,513,889</u>	<u>6,878,306</u>	<u>146,103</u>	<u>(163,860)</u>
Change in Net Position	10,404,028	5,633,656	6,227,909	1,458,776	156,168
Total Net Assets - Beginning	43,247,450	37,613,794	31,654,645	30,195,869	30,039,701
Restatement	<u>(300,000)</u>	—	<u>(268,760)</u>	—	—
Total net position ending	<u>53,351,478</u>	<u>43,247,450</u>	<u>37,613,794</u>	<u>31,654,645</u>	<u>30,195,869</u>

<sup>(1)</sup> Capital contributions received from developers.

(Source: This summary of financial information has been taken from the City's audited financial statements for the years 2013-2017. This summary has not been audited.)

## EAGLE MOUNTAIN CITY

### General

The City was incorporated December 3, 1996 and covers approximately 52.7 square miles. Prior to incorporation, the City consisted of two residential subdivisions and land predominantly used for agriculture. The City's estimated 2017 population is 35,000 people. The City estimates that it is currently 15% built out and estimates reaching full build-out in the next 50 years with a population of 225,000. The City is located in Utah County, 30 miles northwest of Provo City and approximately 40 miles southwest of Salt Lake City, Utah.

### Form of Government

State statutes detail the functions to be performed by State municipalities. The City is organized under general law and governed by a mayor and five council members elected for staggered four-year terms. The mayor presides over all meetings. Department heads are full-time employees of the City and responsible for day-to-day operations within the policy framework of the governing body. Department heads report to the city administrator.

The principal powers and duties of State municipalities are to maintain law and order, abate nuisances, guard public health and sanitation, promote recreation, provide fire protection, and to construct and maintain streets, sidewalks, waterworks and sewers. Municipalities may also operate electric, natural gas and telecommunications systems. Municipalities also regulate commercial and residential development within their boundaries by means of zoning ordinances, building codes and licensing procedures.

The mayor, city council members and officers of the City and their respective years of service in their current position are as follows:

<u>Office/Area</u>	<u>Person</u>	<u>Years of Service to the City</u>	<u>Expiration of Term</u>
Mayor	Tom Westmoreland	4	12/2021
Councilmember	Donna Burnham	8	12/2021
Councilmember	Melissa Clark	0	12/2021
Councilmember	Colby Curtis	2	12/2019
Councilmember	Stephanie Gricius	2	12/2019
Councilmember	Ben Reaves	2	12/2019
City Administrator	Ifo Pili	12	Appointed
Asst. City Administrator /Finance Director	Paul Jerome	10	Appointed
City Recorder	Fionnuala Kofoed	15	Appointed
Asst. Finance Director/Treasurer	David Mortensen	5	Appointed
Public Works Manager	Mack Straw	11	Appointed

### Employee Workforce and Retirement System

The City employs 61 full-time and 52 part-time/seasonal employees. The City contributes to the Utah Retirement Systems (URS), a multiple employer, cost-sharing, public employee retirement system. URS provides retirement benefits, annual cost of living adjustments, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature. The City also offers a deferred compensation plan.

At June 30, 2017, the City reported a net pension liability of \$1,617,287 related to its participation in URS. The net pension liability was measured as of December 31, 2016. Also see "APPENDIX A—AUDITED BASIC



FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017—Notes to the Financial Statements, Note 11 – State Retirement Plans” herein.

A copy of the most recent financial statements for URS may be found at the System’s website at [www.urs.org](http://www.urs.org).

### **Other Post-Employment Benefits**

The City has conducted an investigation and has determined that it currently does not have any post-employment benefit liabilities.

### **Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Utah Local Governments Trust (a public entity risk pool). All claims are submitted to the Utah Local Governments Trust, which acts as a commercial insurer. The Trust is obligated to pay all claims covered by its plan. All claims are subject to a \$5,000 deductible. The deductible is accrued as a current liability when the claim is incurred. The Utah Local Governments Trust covers claims up to \$10,000,000. As of fiscal year-end June 30, 2017, the City has not incurred a claim in excess of its coverage for any of the past three fiscal years.

### **Investment of Funds**

Investment of Operating Funds. *The Utah Money Management Act.* The Utah Money Management Act, Title 51, Chapter 7, Utah Code Annotated 1953, as amended (the “Money Management Act”), governs the investment of all public funds held by public treasurers in the State of Utah (the “State”). It establishes criteria for investment of public funds with an emphasis on safety, liquidity, yield, matching strategy to fund objectives, and matching the term of investments to the availability of funds. The Money Management Act provides a limited list of approved investments including qualified in-state and permitted out-of-state financial institutions, approved government agency securities and investments in corporate securities carrying “top credit ratings.” The Money Management Act also provides for pre-qualification of broker dealers by requiring that broker dealers agree in writing to comply with the Money Management Act and certify that they have read and understand the Money Management Act. The Money Management Act establishes the Money Management Council (the “Money Management Council”) to exercise oversight of public deposits and investments. The law requires all securities to be delivered versus payment to the public treasurer’s safekeeping bank. It requires diversification of investments, especially in securities of corporate issuers. Not more than 5% of the portfolio may be invested with any one issuer. Investments in mortgage pools and mortgage derivatives or any security making unscheduled periodic principal payments are prohibited. The Money Management Act also defines the State’s prudent investor rules. The Money Management Council is comprised of five members appointed by the Governor of the State for terms of four years, after consultation with the State Treasurer and with the advice and consent of the State Senate.

The City is currently complying with all of the provisions of the Money Management Act for all City operating funds. Approximately 60% of the City funds are invested in the Utah Public Treasurers’ Investment Fund (the “PTIF”), as discussed below.

All investments must comply with the Money Management Act and rules of the Money Management Council. The PTIF invests primarily in money market securities including time certificates of deposit, top rated commercial paper, treasuries and certain agencies of the U.S. Government. The maximum weighted average adjusted life of the portfolio, by policy, is not to exceed 90 days. The maximum final maturity of any security purchased by the PTIF is limited to three years, except for a maximum maturity of five years is allowed for treasury or agency securities whose rate adjusts at least annually.

Investment activity of the PTIF is reviewed monthly by the State’s Money Management Council and audited by the State Auditor.

See “APPENDIX A—AUDITED BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017—Notes to the Financial Statements Note 1. Summary of Significant Accounting Policies” and “—Note 4—Cash Equivalents and Investments” herein.

## **FINANCIAL INFORMATION REGARDING THE CITY**

### **Fund Structure; Accounting Basis**

The City prepares its government-wide financial statements based on proprietary fund accounting. All assets, liabilities and equity are recorded on the City’s balance sheet using full accrual accounting. All capital assets, including infrastructure, are capitalized and depreciated. Equity is comprised of contributed capital and retained earnings. The City prepares its governmental funds financial statements based on current financial resources measurement focus and the modified accrual basis of accounting.

In proprietary funds, revenues and expenses are recognized using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized in the period incurred.

### **Budget and Appropriation Process**

The budget and appropriation process of the City is governed by State law (the “Fiscal Procedures Act”). Pursuant to the Fiscal Procedures Act, the budget officer of the City is required to prepare budgets for the proprietary fund. The budget is to provide a complete financial plan for the budget (ensuing fiscal) year. The budget is required to specify, in tabular form, estimates of anticipated revenues and appropriations for expenditures.

On or before the first regularly scheduled meeting of the City Council in May of each year, the budget officer is required to submit to the Council the tentative budget for the fiscal year commencing July 1. Various actual and estimated budget data are required to be set forth in the tentative budget. The budget officer may revise the budget requests submitted by the heads of City departments, but must file these submissions with the Council together with the tentative budget. The budget officer is required to estimate in the tentative budget the available revenue from non-property tax sources and the revenue from general property taxes. The tentative budget is then tentatively adopted by the Council, with any amendments or revisions that the Council deems advisable prior to the public hearing on the tentative budget. If the tax rate in the proposed budget exceeds the “certified tax rate,” the Council shall comply with the Property Tax Act, Chapter 2, Title 59, Utah Code Annotated 1953, as amended (the “Property Tax Act”) in adopting the budget. After public notice and hearing the tentative budget is adopted by the Council, subject to further amendment or revisions by the Council prior to adoption of the final budget.

On or before June 22 in each year, the final budget is adopted by the Council. The adopted final budget is subject to amendment by the Council during the fiscal year. Public notice and hearing are required in order to increase the budget total.

The amount set forth in the final budget as the total amount of estimated revenue from property taxes constitutes the basis for determining the property tax levy to be set by the City for the succeeding tax year.

### **Financial Records and Statements**

The City presently maintains its financial records on a July 1 to June 30 fiscal year basis. See APPENDIX A of this Official Statement for a copy of the City’s audited financial statements for the fiscal year ending June 30, 2017.

### **Five-Year Financial Summaries**

The summaries contained herein were extracted from the City’s audited annual financial reports for the fiscal years ended June 30, 2013, through June 30, 2017. The summaries are unaudited.

**EAGLE MOUNTAIN CITY**  
**Statement of Net Position**  
**Governmental Activities**  
(This summary has not been audited.)

	<u>Fiscal Year Ended June 30,</u>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$8,423,091	\$5,507,737	\$3,781,447	\$3,292,047	\$2,726,606
Restricted cash and cash equivalents	5,436,170	2,739,251	2,372,393	3,153,373	2,194,937
<i>Accounts receivable:</i>					
Customers (net of allowance)	328,789	291,939	306,429	376,948	377,733
Intergovernmental	275,489	227,470	151,889	548,851	577,399
Assessments receivable	1,591,763	1,925,839	3,975,619	4,372,624	2,918,302
Taxes receivable	1,983,179	1,673,423	1,504,628	1,390,033	1,404,393
Other	-	-	-	-	101,465
Internal balances	(423,781)	(381,180)	(351,954)	11,777	2,433
Net pension asset	-	165	2,249	-	-
<i>Capital assets (net):</i>					
Land	6,469,999	6,469,999	6,470,000	5,735,925	5,735,924
Buildings	3,292,174	3,326,242	3,440,942	1,145,522	1,173,708
Improvements	3,260,849	1,464,852	1,180,467	98,724	107,402
Equipment and systems	1,215,163	1,033,734	1,223,486	893,307	992,300
Infrastructure	60,747,306	54,945,344	49,961,550	43,462,835	43,336,898
Construction in progress	<u>3,199,629</u>	<u>494,795</u>	<u>340,558</u>	<u>1,209,304</u>	<u>8,442</u>
Total assets	<u>95,799,820</u>	<u>79,719,610</u>	<u>74,359,703</u>	<u>65,691,270</u>	<u>61,657,942</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related costs	<u>728,191</u>	<u>634,159</u>	<u>250,827</u>	-	-
Total deferred outflow of resources	<u>728,191</u>	<u>634,159</u>	<u>250,827</u>	-	-
<b>LIABILITIES</b>					
Accts payable and accrued liabilities	2,471,275	971,544	659,720	727,824	907,941
Deposits	4,184,082	1,957,590	970,654	607,600	534,147
Bond interest payable	10,059	12,080	26,602	143,579	127,613
Unearned revenue	480,316	-	-	-	-
<i>Long-term liabilities:</i>					
Due within one year	187,176	188,560	224,320	313,577	513,962
Due in more than one year	<u>2,696,908</u>	<u>2,917,022</u>	<u>4,767,544</u>	<u>4,510,435</u>	<u>3,402,544</u>
Total liabilities	<u>10,029,816</u>	<u>6,046,796</u>	<u>6,648,840</u>	<u>6,303,015</u>	<u>5,486,207</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related costs	406,486	299,071	158,584	-	-
Deferred property taxes levied for future years	<u>1,199,441</u>	<u>1,096,156</u>	<u>978,496</u>	<u>888,409</u>	<u>848,119</u>
Total deferred inflow of resources	<u>1,605,927</u>	<u>1,395,227</u>	<u>1,137,080</u>	<u>888,409</u>	<u>848,119</u>
<b>NET POSITION</b>					
Net Investment in Capital Assets	76,834,279	66,092,722	59,048,455	47,939,072	47,599,396
Restricted - C roads	-	-	-	-	20,468
Restricted - impact fees	1,107,530	1,642,085	1,081,833	668,962	490,018
Unrestricted	<u>6,950,460</u>	<u>5,176,939</u>	<u>6,694,321</u>	<u>9,891,812</u>	<u>7,213,734</u>
Net Position	<u>84,892,269</u>	<u>72,911,746</u>	<u>66,824,609</u>	<u>58,499,846</u>	<u>55,323,616</u>

(Source: This summary of financial information has been taken from the City's audited financial statements for the years 2013-2017. This summary has not been audited.)

EAGLE MOUNTAIN CITY  
Statement of Revenues, Expenditures and Changes in Fund Balances  
General Fund  
(This summary has not been audited.)

	<u>Fiscal Year Ended June 30,</u>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>REVENUES</b>					
Taxes	\$5,694,480	\$5,060,489	\$4,438,660	\$4,128,574	\$4,260,060
Licenses and permits	2,895,474	2,214,940	1,662,088	1,552,860	1,124,774
Intergovernmental	1,322,460	930,356	821,777	778,765	1,047,984
Charges for services	1,288,452	1,673,007	1,523,402	1,585,467	3,206,494
Miscellaneous	<u>640,324</u>	<u>756,271</u>	<u>205,377</u>	<u>72,501</u>	<u>153,877</u>
Total revenues	11,841,190	10,635,063	8,651,304	8,118,167	9,793,189
<b>EXPENDITURES</b>					
<i>Current</i>					
General government	2,750,887	2,554,553	2,431,838	2,457,405	2,831,246
Public safety	2,332,378	2,286,418	2,367,014	2,065,929	2,806,751
Public works	3,115,775	1,633,673	1,358,743	1,421,661	1,591,260
Planning & zoning	487,486	415,180	386,939	317,400	348,991
Community development	<u>1,171,572</u>	<u>1,214,526</u>	<u>1,095,743</u>	<u>1,027,595</u>	<u>1,266,531</u>
Total expenditures	<u>9,858,098</u>	<u>8,104,350</u>	<u>7,640,277</u>	<u>7,289,990</u>	<u>8,844,779</u>
Excess of revenues over (under) expenditures	1,983,092	2,530,713	1,011,027	828,177	948,410
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from asset disposals	-	-	497,516	-	-
Transfers In	91,023	-	133,258	239,488	-
Transfers Out	<u>(2,001,387)</u>	<u>(1,622,651)</u>	<u>(2,081,434)</u>	<u>(356,188)</u>	<u>(457,746)</u>
Total Other Financing Sources (Uses)	<u>(1,910,364)</u>	<u>(1,622,651)</u>	<u>(1,450,660)</u>	<u>(116,700)</u>	<u>(457,746)</u>
Net change in fund balance	72,728	908,062	(439,633)	711,477	490,664
Fund balance - beginning of year	3,070,888	2,162,826	2,602,459	1,890,982	1,400,318
Restatement of net position*	<u>(184,293)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$2,959,323</u>	<u>\$3,070,888</u>	<u>\$2,162,826</u>	<u>\$2,602,459</u>	<u>\$1,890,982</u>

\*Note: The restatement of net position in fiscal year 2017 was due to bond proceeds from the Series 2013 Bonds being incorrectly recorded as revenue when the reimbursements were submitted in subsequent years.

(Source: This summary of financial information has been taken from the City's audited financial statements for the years 2013-2017. This summary has not been audited.)

## DEBT STRUCTURE OF THE CITY

### Outstanding Municipal Debt of the City (as of January 1, 2018)

#### Water and Sewer Revenue Bonds

<u>Series</u>	<u>Purpose</u>	<u>Original Amount</u>	<u>Final Maturity Date</u>	<u>Current Balance Outstanding</u>
2008	Sewer Improvements	\$6,665,000	December __ 2028	\$5,435,000
2013	Water Improvements	2,536,000	May __, 2034	2,231,000
2014	Refunding	9,685,000	November 15, 2031	9,685,000
2018 <sup>(1)</sup>	Refunding	3,655,000*	November 15, 2025	<u>3,655,000*</u>
Total				<u>\$21,006,000*</u>

<sup>(1)</sup> For purposes of this Official Statement the Series 2018A Bonds will be considered outstanding and the Refunded Bonds refunded.

\* Preliminary; subject to change.

#### Special Assessment Bonds

<u>Series</u>	<u>Purpose</u>	<u>Original Amount</u>	<u>Final Maturity Date</u>	<u>Current Balance Outstanding</u>
2014	SAA 2014	\$2,400,000	May 1, 2033	<u>\$1,230,000</u>

### Other Financial Considerations

[The City has an interest-free note outstanding relating to a lawsuit settlement regarding the purchase of a well within the City. As of June 30, 2017, such note was outstanding in total principal amount of \$\_\_\_\_\_, which will be repaid with impact fees as they are collected by the City.] As of June 30, 2017, the City also had a capital lease outstanding in the amount of \$113,057.

### Future Debt Plans

The City plans to issue approximately \$1.5 million aggregate principal amount in Additional Bonds on or about the same time as the issuance of the Series 2018A Bonds. Such Bonds will be issued on a parity with the Series 2018A Bonds and the Outstanding Parity Bonds and purchased by the State, and the proceeds therefrom will be used to finance necessary repairs to the collection system as well as the construction of a gravity sewer approach.

### No Defaulted Bonds

The City has never failed to pay principal and interest when due on its outstanding bonded indebtedness or any other obligations.

## BONDHOLDERS' RISKS

The purchase of the Series 2018A Bonds involves certain investment risks that are discussed throughout this Official Statement. No prospective purchaser of the Series 2018A Bonds should make a decision to purchase any of the Series 2018A Bonds without first reading and considering the entire Official Statement, including all Appendices, and making an independent evaluation of all such information. Certain of those investment risks are described below. The list of risks described below is not intended to be definitive or exhaustive and the order in which the following factors are presented is not intended to reflect the relative importance of any such risks



## **General**

The Series 2018A Bonds are payable from and secured by a pledge and assignment of Net Revenues from the System and moneys on deposit in the funds and accounts held by the Trustee under the Indenture other than the Rebate Fund and the Repair and Replacement Fund). Future economic and other conditions, the demand for water and sewer services within the City and the surrounding areas, economic and employment trends and events, demographic changes, changes in governmental regulations and policies and other factors may adversely affect the future financial condition of the System, and, consequently, the availability of Net Revenues. No assurance can be made that the Net Revenues of the System will be realized by the City in amounts sufficient to pay debt service on the Series 2018A Bonds when due.

## **Operation of the System**

In order for the City to make timely payment of the principal and interest requirements of the Series 2018A Bonds and to meet its other obligations under the Indenture, it will be necessary for the City to manage, operate and maintain the System in an efficient and economical manner that is consistent with prudent utility practice. The operation of the System is subject to the requirements of various governmental rules and regulations and the System must be operated in compliance with these requirements. In the event that the System is not operated or is not capable of operation as required by the provisions of such governmental rules and regulations, the City may be subject to certain penalties.

The City believes that the System is operated and will continue to be operated in a manner that will allow it to pay Operation and Maintenance Expenses for the System, as well as debt service on the Series 2018A Bonds and the Outstanding Parity Bonds.

To the extent the System develops operational problems, rates for the System may need to be increased to produce sufficient Revenue unless other sources of funds are obtained. In the event that Revenues need to be increased for the continued operation of the System (and to pay debt service on the Series 2018A Bonds), it may be necessary to increase rates for the System. Although the City has the ability to establish rates without prior approval from another governmental entity, the City may decide not to make any rate increases due to political feasibility or other concerns.

## **CONTINUING DISCLOSURE**

The City has undertaken for the benefit of the Owners and the beneficial owners of the Series 2018A Bonds to provide certain annual financial information and operating data to the Municipal Securities Rulemaking Board (the "MSRB") and the City has undertaken for the benefit of the Owners and beneficial owners of the Series 2018A Bonds to provide notice of certain material events to the MSRB all in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "Rule"). See APPENDIX D attached hereto and incorporated herein by reference for a form of the Continuing Disclosure Undertaking (the "Disclosure Undertaking") that will be executed by the City.

[The City recently determined that certain operating data required by its disclosure undertakings for the Bonds had been inadvertently omitted. In January 2018, the City filed amended reports for fiscal years 2013, 2015, 2016, and 2017 which included all the required information. (The required information for fiscal year 2014 was reported by reference to the City's Official Statement posted on EMMA for its Series 2014 Bonds.)]

A failure by the City to comply with the Disclosure Undertaking will not constitute a default under the Indenture and beneficial owners of the Bonds are limited to the remedies described in the Disclosure Undertaking. A failure by the City to comply with the Disclosure Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2018A Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2018A Bonds and their market price.



## LEGAL MATTERS

### General

All legal matters incident to the authorization and issuance of the Series 2018A Bonds are subject to the approval of Gilmore & Bell, P.C., Bond Counsel to the City. Certain matters relating to disclosure will be passed upon for the City by Gilmore & Bell, P.C., Disclosure Counsel to the City. Certain legal matters will be passed upon for the City by Cohn Kinghorn, P.C. The approving opinion of Bond Counsel will be delivered with the Series 2018A Bonds. A copy of the opinion of Bond Counsel in substantially the form set forth in APPENDIX E of this Official Statement will be made available upon request from the Trustee.

### Absence of Litigation

A non-litigation opinion is expected to be provided by the City Attorney, dated the date of closing, stating, among other things that there is no action, suit, proceeding, inquiry, or any other litigation or investigation at law or in equity, before or by any court, public board or body, which is pending or threatened, challenging the creation, organization, or existence of the City; or the titles of its officers to their respective offices; or seeking to restrain or enjoin the issuance, sale, or delivery of the Series 2018A Bonds; or for the purpose of restraining or enjoining the levy and collection of taxes, Revenues, or assessments by the City; or directly or indirectly contesting or affecting the proceedings or the authority by which the Series 2018A Bonds are issued; or the validity of the Series 2018A Bonds or the issuance thereof.

## TAX MATTERS

The following is a summary of the material federal and State of Utah income tax consequences of holding and disposing of the Series 2018A Bonds. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of owners subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Series 2018A Bonds as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Utah, does not discuss the consequences to an owner under any state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Series 2018A Bonds in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Series 2018A Bonds.

### Opinion of Bond Counsel

In the opinion of Gilmore & Bell, P.C., Bond Counsel to the City, under the law currently existing as of the issue date of the Series 2018A Bonds:

**Federal Tax Exemption.** The interest on the Series 2018A Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes.

**Alternative Minimum Tax.** The interest on the Series 2018A Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax.

**Bank Qualification.** The Series 2018A Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

Bond Counsel's opinions are provided as of the date of the original issue of the Series 2018A Bonds, subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2018A Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to

comply with certain of such requirements may cause the inclusion of interest on the Series 2018A Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2018A Bonds.

**State of Utah Tax Exemption.** The interest on the Series 2018A Bonds is exempt from State of Utah individual income taxes.

Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Series 2018A Bonds but has reviewed the discussion under the heading "TAX MATTERS."

### **Other Tax Consequences**

**[Original Issue Discount.** For federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a Series 2018A Bond over its issue price. The issue price of a Series 2018A Bond is generally the first price at which a substantial amount of the Series 2018A Bonds of that maturity have been sold to the public. Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Series 2018A Bond during any accrual period generally equals (1) the issue price of that Series 2018A Bond, plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Series 2018A Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that Series 2018A Bond during that accrual period. The amount of original issue discount accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner's tax basis in that Series 2018A Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of original issue discount.]

**[Original Issue Premium.** For federal income tax purposes, premium is the excess of the issue price of a Series 2018A Bond over its stated redemption price at maturity. The issue price of a Series 2018A Bond is generally the first price at which a substantial amount of the Series 2018A Bonds of that maturity have been sold to the public. Under Section 171 of the Code, premium on tax-exempt bonds amortizes over the term of the Series 2018A Bond using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the owner's basis in the Series 2018A Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner, which will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Series 2018A Bond prior to its maturity. Even though the owner's basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of bond premium.]

**Sale, Exchange or Retirement of Bonds.** Upon the sale, exchange or retirement (including redemption) of a Series 2018A Bond, an owner of the Series 2018A Bond generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Series 2018A Bond (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the Series 2018A Bond. To the extent a Series 2018A Bond is held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Series 2018A Bond has been held for more than 12 months at the time of sale, exchange or retirement.

**Reporting Requirements.** In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on the Series 2018A Bonds, and to the proceeds paid on the sale of the Series 2018A Bonds, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner's federal income tax liability.

**Collateral Federal Income Tax Consequences.** Prospective purchasers of the Series 2018A Bonds should be aware that ownership of the Series 2018A Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies,

individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with “excess net passive income,” foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Series 2018A Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Series 2018A Bonds should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Series 2018A Bonds, including the possible application of state, local, foreign and other tax laws.

### **UNDERWRITING**

George K. Baum & Company, as underwriter of the Series 2018A Bonds (the “Underwriter”) has agreed, subject to certain conditions, to purchase all of the Series 2018A Bonds from the City at an aggregate purchase price of \$\_\_\_\_\_ (representing the par amount of the Series 2018A Bonds of \$\_\_\_\_\_, plus a [net] reoffering premium of \$\_\_\_\_\_ and less an underwriting discount of \$\_\_\_\_\_). The Underwriter has advised the City that it intends to make a public offering of the Series 2018A Bonds at the prices set forth on the cover page hereof. Such prices may be changed from time to time by the Underwriter. The Underwriter may offer and sell Series 2018A Bonds to certain dealers (including dealers depositing Series 2018A Bonds into investment trusts) and others at prices lower than the offering prices stated on the cover page hereof. Although the Underwriter expects to maintain a secondary market in the Series 2018A Bonds after the initial offering, no assurance can be made that such a market will develop or be maintained by the Underwriter or others.

### **MUNICIPAL ADVISOR**

The City has entered into an agreement with Lewis Young Robertson & Burningham, Inc., Salt Lake City, Utah (the “Municipal Advisor”) whereunder the Municipal Advisor provides financial recommendations and guidance to the City with respect to timing of sale, bond market conditions, costs of issuance and other factors relating to the sale of the Series 2018A Bonds and the Series 2008 Bonds. The Municipal Advisor has read and participated in the drafting of this Official Statement. The Municipal Advisor has not audited, authenticated or otherwise verified the information set forth in the Official Statement, or any other related information available to the City, with respect to accuracy and completeness of disclosure of such information, and no guaranty, warranty or other representation is made by the Municipal Advisor respecting accuracy and completeness of the Official Statement or any other matters related to the Official Statement. Municipal Advisor fees are contingent upon the sale and delivery of the Series 2018A Bonds.

### **BOND RATINGS**

As of the date of this Official Statement, S&P Global Ratings (“S&P”) has assigned a municipal bond rating of “\_\_\_\_\_” to the Series 2018A Bonds.

Such ratings assigned to the Series 2018A Bonds do not constitute a recommendation by the rating agency to buy, sell or hold the Series 2018A Bonds. Such ratings reflect only the view of such organization delivering the same and any desired explanation of the significance of such ratings should be obtained from that rating agency. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies, and assumptions of its own.

There is no assurance that any rating assigned to the Series 2018A Bonds will be maintained for any period of time or that such rating may not be lowered or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward change or withdrawal of such rating may have an adverse effect on the market price of the Series 2018A Bonds.

## MISCELLANEOUS

### **Independent Accountants**

The general purpose financial statements of the City as of June 30, 2017 and for the year then ended, included in this Official Statement, have been audited by Gilbert & Stewart, CPA, PC, Provo, Utah (“Gilbert & Stewart”), as stated in its report in APPENDIX A to this Official Statement. Gilbert & Stewart has not been asked to consent to the use of its name and audited financial statements in this Official Statement.

### **Additional Information**

All quotations contained herein from and summaries and explanations of the Utah Constitution, statutes, programs, laws of the State, court decisions, and the Indenture do not purport to be complete, and reference is made to said Constitution, statutes, programs, laws, court decisions, and the Indenture for full and complete statements of their respective provisions.

Any statement in this Official Statement involving matters of opinion, whether or not expressly so stated, is intended as such and not as representations of fact.

The appendices attached hereto are an integral part of this Official Statement, and should be read in conjunction with the foregoing material.

This Preliminary Official Statement is in a form “deemed final” by the City for the purposes of Rule 15c2-12 of the Securities and Exchange Commission.

The delivery of the Official Statement has been duly authorized by the City.

**EAGLE MOUNTAIN CITY, UTAH**

**APPENDIX A**

**AUDITED BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**



## APPENDIX B

### EXCERPTS OF CERTAIN PROVISIONS OF THE GENERAL INDENTURE

The following extracts briefly outline certain provisions contained in the Indenture and are not to be considered as a full statement thereof. Reference is made to the Indenture for full details of all the terms thereof, of the Series 2018A Bonds, the security provisions appertaining thereof, and the application of the Net Revenues and the definition of any terms used but not defined in this Official Statement.

#### Definitions

“Accreted Amount” means, with respect to Capital Appreciation Bonds of any Series and as of the date of calculation, the amount representing the initial public offering price, plus the accumulated and compounded interest on such Bonds, as established pursuant to the Supplemental Indenture authorizing such Capital Appreciation Bonds.

“Acquisition/Construction Fund” means the Eagle Mountain City, Utah Water and Sewer Revenue Acquisition/Construction Fund created in the Indenture to be held by the Trustee.

“Act” means, collectively, the Local Government Bonding Act, Title 11, Chapter 14, Utah Code Annotated 1953, as amended and the Utah Refunding Bond Act, Title 11, Chapter 27, Utah Code Annotated 1953, as amended, each to the extent applicable.

“Additional Bonds” means all Bonds issued under the Indenture other than the Initial Bonds.

“Administrative Costs” means all Security Instrument Costs, Reserve Instrument Costs and Rebtable Arbitrage.

“Aggregate Annual Debt Service Requirement” means the total Debt Service (including any Repayment Obligations) for any one Bond Fund Year (or other specific period) on all Series of Bonds Outstanding or any specified portion thereof.

“Authorized Amount” means, with respect to a Commercial Paper Program, the maximum principal amount of commercial paper which is then authorized by the Issuer to be outstanding at any one time pursuant to such Commercial Paper Program.

“Authorized Representatives” means the Mayor, City Recorder, or any other officer of the Issuer so designated in writing by the Issuer to the Trustee.

“Balloon Bonds” means Bonds (and/or Security Instrument Repayment Obligations relating thereto), other than Bonds which mature within one Year of the date of issuance thereof, 25% or more of the Principal Installments on which (a) are due or, (b) at the option of the Owner thereof may be redeemed, during any Year.

“Bond Anticipation Notes” means notes issued under the Indenture in anticipation of the issuance of a Series of Bonds.

“Bond Fund” means the Eagle Mountain City, Utah Water and Sewer Revenue Bond Fund created in the Indenture to be held by the Trustee.

“Bond Fund Year” means the 12-month period beginning July 1 of each year and ending on the next succeeding June 30, except that the first Bond Fund Year shall begin on the date of delivery of the Initial Bonds and shall end on the next succeeding June 30.

“Bondholder,” “Bondowner,” “Registered Owner,” or “Owner” means the registered owner of any Bonds authorized by the Indenture according to the registration books of the Issuer maintained by the Registrar.



“Bonds” means bonds, notes, commercial paper, or other obligations (other than Repayment Obligations) authorized by and at any time Outstanding pursuant to the Indenture, including the Initial Bonds and any Additional Bonds.

“Business Day” means any day (i) (a) on which banking business is transacted, but not including any day on which banks are authorized to be closed in New York City or in the city in which the Trustee has its Principal Corporate Trust Office or, with respect to a related Series of Bonds, in the city in which any Security Instrument Issuer has its principal office for purposes of such Security Instrument and (b) on which the New York Stock Exchange is open; or (ii) as otherwise provided in a Supplemental Indenture.

“Capital Appreciation Bonds” means Bonds so designated the interest on which (i) is compounded and accumulated at the rates and on the dates set forth in the Supplemental Indenture authorizing the issuance of such Bonds, and (ii) is payable upon maturity or prior redemption of such Bonds.

“City Recorder” means the City Recorder of the Issuer or any successor to the duties of such office and any deputy to the City Recorder.

“Code” means the Internal Revenue Code of 1986, as amended.

“Commercial Paper Program” means a program of issuing commercial paper obligations with maturities of not more than 270 days from the dates of issuance thereof which are issued and reissued by the Issuer from time to time pursuant to the Indenture and are outstanding up to an Authorized Amount.

“Construction Bonds” means Additional Bonds issued pursuant to the Indenture to finance all or part of the Cost of a Project.

“Cost” or “Costs” or “Cost of Completion,” or any phrase of similar import, in connection with a Project or with the refunding of any Bonds or other obligations, means all costs and expenses which are properly chargeable thereto under generally accepted accounting principles or which are incidental to the financing, acquisition and construction of a Project or with the refunding of any Bonds or other obligations, including, without limiting the generality of the foregoing:

- (a) amounts payable to contractors and costs incident to the award of contracts;
- (b) cost of labor, facilities and services furnished by the Issuer and its employees or others, materials and supplies purchased by the Issuer or others and permits and licenses obtained by the Issuer or others;
- (c) engineering, architectural, legal, planning, underwriting, accounting, and other professional and advisory fees;
- (d) premiums for contract bonds and insurance during construction and costs on account of personal injuries and property damage in the course of construction and insurance against the same;
- (e) printing, engraving, and other expenses of financing, fees of financial rating services, and costs of issuing any Bonds (including costs of interest rate caps and costs related to Interest Rate Swaps (or the elimination thereof));
- (f) costs, fees, and expenses in connection with the acquisition of real and personal property or rights therein, including premiums for title insurance;
- (g) costs of furniture, fixtures, and equipment purchased by the Issuer and necessary to construct a Project;
- (h) amounts required to repay temporary loans or Bond Anticipation Notes incurred to finance the costs of a Project;

- (i) cost of site improvements performed by the Issuer in anticipation of a Project;
- (j) moneys necessary to fund the funds created under the Indenture;
- (k) costs of the capitalization with proceeds of a Series of Bonds issued under the Indenture of any operation and maintenance expenses and other working capital appertaining to any facilities to be acquired for a Project and of any interest on a Series of Bonds for any period not exceeding the period estimated by the Issuer to effect the construction of a Project plus one year, as the Indenture provides, of any discount on bonds or other securities, and of any reserves for the payment of the Principal of and interest on a Series of Bonds, of any replacement expenses and of any other cost of issuance of a Series of Bonds or other securities, Security Instrument Costs and Reserve Instrument Costs;
- (l) costs of amending any indenture or other instrument authorizing the issuance of or otherwise appertaining to a Series of Bonds;
- (m) all other expenses necessary or desirable and appertaining to a Project, as estimated or otherwise ascertained by the Issuer, including costs of contingencies for a Project; and
- (n) payment to the Issuer of such amounts, if any, as shall be necessary to reimburse the Issuer in full for advances and payments theretofore made or costs theretofore incurred by the Issuer for any item of Costs.

In the case of refunding or redeeming any bonds or other obligations, "Cost" includes, without limiting the generality of the foregoing, advertising and other expenses related to the redemption of such Bonds or other obligations to be redeemed and the redemption price of such Bonds or other obligations (and the accrued interest payable on redemption to the extent not otherwise provided for).

"Cross-over Date" means with respect to Cross-over Refunding Bonds the date on which the Principal of the related Cross-over Refunded Bonds is to be paid or redeemed from the proceeds of such Cross-over Refunding Bonds.

"Cross-over Refunded Bonds" means Bonds or other obligations refunded by Cross-over Refunding Bonds. "Cross-over Refunding Bonds" means Bonds issued for the purpose of refunding Cross-over Refunded Bonds or other obligations if the proceeds of such Cross-over Refunding Bonds are irrevocably deposited in escrow in satisfaction of the requirements of the Act, to secure the payment on an applicable redemption date or maturity date of the Cross-over Refunded Bonds (subject to possible use to pay Principal of the Cross-over Refunding Bonds under certain circumstances) and the earnings on such escrow deposit are required to be applied to pay interest on the Cross-over Refunding Bonds until the Cross-over Date.

"Current Interest Bonds" means all Bonds other than Capital Appreciation Bonds. Interest on Current Interest Bonds shall be payable periodically on the Interest Payment Dates provided therefor in a Supplemental Indenture.

"Debt Service" means, for any particular Bond Fund Year and for any Series of Bonds and any Repayment Obligations, an amount equal to the sum of (i) all interest payable during such Bond Fund Year on such Series of Bonds plus (ii) the Principal Installments payable during such Bond Fund Year on (a) such Bonds Outstanding, calculated on the assumption that Bonds Outstanding on the day of calculation cease to be Outstanding by reason of, but only by reason of, payment either upon maturity or application of any Sinking Fund Installments required by the Indenture, and (b) such Repayment Obligations then outstanding;

*provided, however, for purposes of Special Provisions for the Issuance of Construction Bonds as provided in the Indenture, when calculating interest payable during such Bond Fund Year for:*

- (a) any Series of Variable Rate Bonds or Repayment Obligations bearing interest at a variable rate which cannot be ascertained for any particular Bond Fund Year, it shall be assumed that such Series of Variable Rate Bonds or related Repayment Obligations will bear interest at such market rate of interest applicable to such

Series of Variable Rate Bonds or related Repayment Obligations as shall be established for this purpose in the opinion of the Issuer's financial advisor, underwriter or similar agent (which market rate of interest may be based upon a recognized comparable market index, an average of interest rates for prior years or otherwise);

(b) any Series of Variable Rate Bonds which are issued with a floating rate and with respect to which an Interest Rate Swap is in effect in which the Issuer has agreed to pay a fixed interest rate, such Series of Variable Rate Bonds shall be deemed to bear interest at the effective fixed annual rate thereon as a result of such Interest Rate Swap; provided that such effective fixed annual rate may be utilized only if such Interest Rate Swap does not result in a reduction or withdrawal of any rating then in effect with respect to the Bonds and so long as such Interest Rate Swap is contracted to remain in full force and effect;

(c) any Series of Bonds which are issued with a fixed interest rate and with respect to which an Interest Rate Swap is in effect in which the Issuer has agreed to pay a floating amount, Debt Service shall include the interest payable on such Series of Bonds, less fixed amounts to be received by the Issuer under such Interest Rate Swap plus the amount of the floating payments (using the market rate in a manner similar to that described in (1) above, unless another method of estimation is more appropriate, in the opinion of the Issuer's financial advisor, underwriter or similar agent with the approval of each Rating Agency, for such floating payments) to be made by the Issuer under the Interest Rate Swap; provided that the above described calculation of Debt Service may be utilized only if such Interest Rate Swap does not result in a reduction or withdrawal of any rating then in effect with respect to the Bonds and so long as such Interest Rate Swap is contracted to remain in full force and effect;

(d) any Commercial Paper Program, Debt Service shall include an amount equal to the sum of all principal and interest payments that would be payable during such Bond Fund Year assuming that the Authorized Amount of such Commercial Paper Program is amortized on a level debt service basis over a period of 30 years beginning on the date of calculation or, if later, the last day of the period during which obligations can be issued under such Commercial Paper Program, and bearing interest at such market rate of interest applicable to such Commercial Paper Program as shall be established for this purpose in the opinion of the Issuer's financial advisor, underwriter or similar agent (which market rate of interest may be based upon a recognized comparable market index, an average of interest rates for prior years or otherwise);

(e) Paired Obligations, the interest rate on such Bonds shall be the resulting linked rate or effective fixed interest rate to be paid by the Issuer with respect to such Paired Obligations; and

(f) Balloon Bonds, it shall be assumed that Principal and interest amortized on a level debt service basis over a twenty (20)-year period at the interest rate as shall be established for this purpose in the opinion of the Issuer's financial advisor, underwriter or similar agent (which market rate of interest may be based upon a recognized comparable market index, an average of interest rates for prior years or otherwise), provided that the full amount of Balloon Bonds shall be included in the calculation if the calculation is made within twelve (12) months of the actual maturity of such Balloon Bonds and no credit facility exists;

and further provided, that there shall be excluded from Debt Service (i) interest on Bonds (including Cross-over Refunding Bonds or Cross-over Refunded Bonds) to the extent that Escrowed Interest or capitalized interest is available to pay such interest, (ii) Principal on Cross-over Refunded Bonds to the extent that the proceeds of Cross-over Refunding Bonds are on deposit in an irrevocable escrow in satisfaction of the requirements of the Act, and such proceeds or the earnings thereon are required to be applied to pay such Principal (subject to the possible use to pay the Principal of the Cross-over Refunding Bonds under certain circumstances) and such amounts so required to be applied are sufficient to pay such Principal, and (iii) Repayment Obligations to the extent that payments on Pledged Bonds relating to such Repayment Obligations satisfy the Issuer's obligation to pay such Repayment Obligations.

"Debt Service Reserve Fund" means the Eagle Mountain City, Utah, Revenue Debt Service Reserve Fund created in the Indenture.

"Debt Service Reserve Requirement" means with respect to each Series of Bonds issued pursuant to the Indenture, unless otherwise provided in the related Supplemental Indenture, an amount equal to the least of (i) 10% of the proceeds of such Series of Bonds determined on the basis of original Principal amount (unless original issue

premium or original issue discount exceeds 2% of original Principal, then determined on the basis of initial purchase price to the public), (ii) the maximum annual Debt Service during any Bond Fund Year for such Series of Bonds, and (iii) 125% of the average annual Debt Service for such Series of Bonds; provided, however, that in the event any Series of Additional Refunding Bonds is issued to refund only a portion and not all of the then Outstanding Bonds of any other Series issued pursuant to the Indenture (the "Prior Bonds"), then the portion of such Series of Prior Bonds that remain Outstanding immediately after the issuance of such Additional Refunding Bonds and the portion of such Additional Refunding Bonds that is allocable to the refunding of such Series of Prior Bonds may be combined and treated as a single Series for purpose of determining the Debt Service Reserve Requirement relating to such combined Series and the resulting requirement shall be allocated among the two Series pro rata based upon the total principal amount remaining Outstanding for each Series. The Debt Service Reserve Requirement may be funded by a Reserve Instrument as provided in the Indenture or, if provided in the related Supplemental Indenture, may be accumulated over time. Each account of the Debt Service Reserve Fund shall only be used with respect to the related Series of Bonds.

"Direct Obligations" means noncallable Government Obligations.

"Escrowed Interest" means amounts irrevocably deposited in escrow in accordance with the requirements of the Act, in connection with the issuance of Refunding Bonds or Cross-over Refunding Bonds secured by such amounts or earnings on such amounts which are required to be applied to pay interest on such Cross-over Refunding Bonds or the related Cross-over Refunded Bonds.

"Event of Default" means any occurrence or event specified in and defined by the Indenture. "Fitch" means Fitch Ratings.

"Governing Body" means the legislative body of the Issuer.

"Government Obligations" means solely one or more of the following:

- (a) State and Local Government Series issued by the United States Treasury ("SLGS");
- (b) United States Treasury bills, notes and bonds, as traded on the open market;
- (c) Zero Coupon United States Treasury Bonds; and
- (d) Any other direct obligations of or obligations unconditionally guaranteed by, the United States of America (including, without limitation, obligations commonly referred to as "REFCORP strips").

"Indenture" means the General Indenture of Trust as from time to time amended or supplemented by Supplemental Indentures in accordance with the terms of the Indenture.

"Initial Bonds" means the first Series of Bonds issued under the Indenture.

"Interest Payment Date" means the stated payment date of an installment of interest on the Bonds.

"Interest Rate Swap" means an agreement between the Issuer or the Trustee and a Swap Counterparty related to a Series of Bonds whereby a variable rate cash flow (which may be subject to any interest rate cap) on a Principal or notional amount is exchanged for a fixed rate of return on an equal Principal or notional amount. If the Issuer or the Trustee enters into more than one Interest Rate Swap with respect to a Series of Bonds, each Interest Rate Swap shall specify the same payment dates.

"Issuer" means Eagle Mountain City, Utah, and its successors.

"Mayor" means the duly elected mayor of the Issuer or any successor to the duties of such office. Such term shall also include the deputy mayor except as the deputy mayor's powers may be limited by written declaration of the duly elected mayor.



“Moody’s” means Moody’s Investors Service, Inc.

“Net Revenues” means the Revenues after provision has been made for the payment therefrom of Operation and Maintenance Expenses.

“Other Available Moneys” means for any Year the amount designated by the Issuer for transfer from the Rate Stabilization Fund to the Revenue Fund, provided that such amount shall not exceed 25% of the Aggregate Annual Debt Service Requirement for such Year.

“Operation and Maintenance Expenses” means all expenses reasonably incurred in connection with the operation and maintenance of the System, whether incurred by the Issuer or paid to any other entity pursuant to contract or otherwise, necessary to keep the System in efficient operating condition, including cost of audits required by the Indenture, payment of promotional and marketing expenses and real estate brokerage fees, payment of premiums for the insurance hereinafter required, Administrative Costs and, generally all expenses, exclusive of depreciation (including depreciation related expenses of any joint venture) and, any in-lieu of tax transfers to Issuer funds and interest expense for interfund loans from Issuer funds, which under generally accepted accounting practices are properly allocable to operation and maintenance; however, only such expenses as are reasonably and properly necessary to the efficient operation and maintenance of the System shall be included.

“Outstanding” or “Bonds Outstanding” means at any date all Bonds which have not been canceled which have been or are being authenticated and delivered by the Trustee under the Indenture, except:

(a) Any Bond or portion thereof which at the time has been paid or deemed paid pursuant to the Indenture; and

(b) Any Bond in lieu of or in substitution for which a new Bond shall have been authenticated and delivered under the Indenture, unless proof satisfactory to the Trustee is presented that such Bond is held by a bona fide holder in due course.

“Paired Obligations” means any Series (or portion thereof) of Bonds designated as Paired Obligations in the Supplemental Indenture authorizing the issuance or incurrence thereof, which are simultaneously issued or incurred (i) the Principal of which is of equal amount maturing and to be redeemed (or cancelled after acquisition thereof) on the same dates and in the same amounts, and (ii) the interest rates of which, when taken together, result in an irrevocably fixed interest rate obligation of the Issuer for the terms of such Bonds.

“Paying Agent” means the Trustee, appointed as the initial paying agent for the Bonds pursuant to the Indenture, and any additional or successor paying agent appointed pursuant to the Indenture.

“Pledged Bonds” means any Bonds that have been (i) pledged or in which any interest has otherwise been granted to a Security Instrument Issuer as collateral security for Security Instrument Repayment Obligations or (ii) purchased and held by a Security Instrument Issuer pursuant to a Security Instrument.

“Principal” means, (i) with respect to any Capital Appreciation Bond, the Accreted Amount thereof (the difference between the stated amount to be paid at maturity and the Accreted Amount being deemed unearned interest), except as used in connection with the authorization and issuance of Bonds and with the order of priority of payment of Bonds after an Event of Default, in which case “Principal” means the initial public offering price of a Capital Appreciation Bond (the difference between the Accreted Amount and the initial public offering price being deemed interest); and (ii) with respect to any Current Interest Bond, the principal amount of such Bond payable at maturity.

“Principal Corporate Trust Office” means, with respect to the Trustee, the office of the Trustee at 170 South Main Street, Suite 200, Salt Lake City, Utah, or such other or additional offices as may be specified by the Trustee.

“Principal Installment” means, as of any date of calculation, (i) with respect to any Series of Bonds, so long as any Bonds thereof are Outstanding, (a) the Principal of the Bonds of such Series due on a certain future date for which no Sinking Fund Installments have been established, or (b) the unsatisfied balance of any Sinking Fund Installment due on a certain future date for Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a Principal amount equal to such unsatisfied balance of such Sinking Fund Installment and (ii) with respect to any Repayment Obligations, the principal amount of such Repayment Obligations due on a certain future date.

“Project” means the acquisition, construction, expansion, and/or renovation of the System, including the acquisition of improvements and equipment (with an expected life beyond a current fiscal year) for use in the System.

“Put Bond” means any Bond which is part of a Series of Bonds which is subject to purchase by the Issuer, its agent or a third party from the Owner of the Bond pursuant to provisions of the Supplemental Indenture authorizing the issuance of the Bond and designating it as a “Put Bond.”

“Qualified Engineer” means any registered or licensed engineer or architect or firm of such engineers or architects and engineers generally recognized to be qualified in engineering or architectural matters relating to construction and maintenance of municipal water and sewer systems, appointed and paid by the Issuer, who shall not have any substantial interest, direct or indirect (other than employment), with the Issuer, but who may be regularly retained to make annual or other periodic reports of the Issuer. “Qualified Engineer” may include any registered or licensed engineer or architect employed by the Issuer.

“Qualified Investments” means any of the following securities:

- (a) Government Obligations;
- (b) Obligations of any of the following federal agencies which obligations represent full faith and credit obligations of the United States of America including: the Export-Import Bank of the United States; the Government National Mortgage Association; the Federal Financing Bank; the Farmer’s Home Administration; the Federal Housing Administration; the Maritime Administration; General Services Administration, Small Business Administration; or the Department of Housing and Urban Development (PHA’s);
- (c) Money market funds rated “AAAm” or “AAAm-G” or better by S&P and/or the equivalent rating or better of Moody’s (if so rated), including money market funds from which the Trustee or its affiliates derive a fee for investment advisory services to the fund;
- (d) Commercial paper which is rated at the time of purchase in the single highest classification, P-1 by Moody’s or A-1+ by S & P, and which matures not more than two hundred seventy (270) days after the date of purchase;
- (e) Bonds, notes or other evidences of indebtedness rated “AAA” by S&P and “Aaa” by Moody’s issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three (3) years;
- (f) U.S. dollar denominated deposit accounts, federal funds and banker’s acceptances with domestic commercial banks, including the Trustee and its affiliates, which have a rating on their short-term certificates of deposit on the date of purchase of “A-1” or “A-1+” by S&P and “P-1” by Moody’s and maturing no more than three hundred sixty (360) days after the date of purchase (ratings on holding companies are not considered as the rating of the bank);
- (g) The fund held by the Treasurer for the State of Utah and commonly known as the Utah State Public Treasurer’s Investment Fund; and



(h) Any other investments or securities permitted for investment of public moneys under the State Money Management Act of 1974, Title 51, Chapter 7, Utah Code, including investments contracts permitted by Section 51-7-17(2)(d) thereof.

“Rate Stabilization Fund” means the Eagle Mountain City Water and Sewer Revenue Rate Stabilization Fund created in the Indenture to be held by the Trustee and administered pursuant to the Indenture.

“Rating Agency” means Fitch, Moody’s or S&P and their successors and assigns, but only to the extent such rating agency is then providing a rating on a Series of Bonds issued under the Indenture at the request of the Issuer. If any such rating agency ceases to act as a securities rating agency, the Issuer may designate any nationally recognized securities rating agency as a replacement.

“Rating Category” or “Rating Categories” mean one or more of the generic rating categories of a Rating Agency, without regard to any refinement or gradation of such rating category or categories by a numerical modifier or otherwise.

“Rebatable Arbitrage” means with respect to any Series of Bonds where the interest thereon is intended to be excludable from gross income for federal income tax purposes, the amount (determinable as of each Rebate Calculation Date) of rebatable arbitrage payable to the United States at the times and in the amounts specified in Section 148(f)(3) of the Code and Section 1.148-3 of the Regulations.

“Rebate Calculation Date” means, with respect to any Series of Bonds where the interest thereon is intended to be excludable from gross income for federal income tax purposes, the Interest Payment Date next preceding the fifth anniversary of the issue date of such Series of Bonds, each fifth anniversary of the initial Rebate Calculation Date for such Series of Bonds, and the date of retirement of the last Bond for such Series.

“Rebate Fund” means the Eagle Mountain City, Utah Water and Sewer Revenue Rebate Fund created in the Indenture to be held by the Trustee.

“Register” means the record of ownership of the Bonds maintained by the Registrar.

“Registrar” means the Trustee (or other party designated as Registrar by Supplemental Indenture), appointed as the registrar for the Bonds pursuant to the Indenture, and any additional or successor registrar appointed pursuant to the Indenture.

“Regular Record Date” means unless otherwise provided by Supplemental Indenture for a Series of Bonds, the fifteenth day immediately preceding each Interest Payment Date.

“Regulations,” and all references thereto shall mean and include applicable final, proposed and temporary United States Treasury Regulations promulgated with respect to Sections 103 and 141 through 150 of the Code, including all amendments thereto made hereafter.

“Remarketing Agent” means a remarketing agent or commercial paper dealer appointed by the Issuer pursuant to a Supplemental Indenture.

“Repair and Replacement Fund” means the Eagle Mountain City, Utah Water and Sewer Revenue Repair and Replacement Fund created in the Indenture to be held by the Issuer.

“Repair and Replacement Reserve Requirement” means the amount or amounts from time to time required under each Supplemental Indenture to be on deposit in the Repair and Replacement Fund.

“Repayment Obligations” means, collectively, all outstanding Security Instrument Repayment Obligations and Reserve Instrument Repayment Obligations.

“Reserve Instrument” means a device or instrument issued by a Reserve Instrument Provider to satisfy all or any portion of the Debt Service Reserve Requirement applicable to a Series of Bonds. The term “Reserve Instrument” includes, by way of example and not of limitation, letters of credit, bond insurance policies, surety bonds, standby bond purchase agreements, lines of credit and other devices.

“Reserve Instrument Agreement” means any agreement entered into by the Issuer and a Reserve Instrument Provider pursuant to a Supplemental Indenture (including the applicable portions of a Supplemental Indenture) and providing for the issuance by such Reserve Instrument Provider of a Reserve Instrument.

“Reserve Instrument Costs” means all fees, premiums, expenses, and similar costs, other than Reserve Instrument Repayment Obligations, required to be paid to a Reserve Instrument Provider pursuant to a Reserve Instrument Agreement. Each Reserve Instrument Agreement shall specify the fees, premiums, expenses, and costs constituting Reserve Instrument Costs.

“Reserve Instrument Coverage” means, as of any date of calculation, the aggregate amount available to be paid to the Trustee under all Reserve Instruments.

“Reserve Instrument Fund” means the Eagle Mountain City, Utah Water and Sewer Revenue Reserve Instrument Fund created in the Indenture to be held by the Trustee.

“Reserve Instrument Limit” means, as of any date of calculation and with respect to any Reserve Instrument, the maximum aggregate amount available to be paid under such Reserve Instrument into the Debt Service Reserve Fund assuming for purposes of such calculation that the amount initially available under each Reserve Instrument has not been reduced or that the amount initially available under each Reserve Instrument has only been reduced as a result of the payment of Principal of the applicable Series of Bonds.

“Reserve Instrument Provider” means any bank, savings and loan association, savings bank, thrift institution, credit union, insurance company, surety company, or other institution issuing a Reserve Instrument.

“Reserve Instrument Repayment Obligations” means, as of any date of calculation and with respect to any Reserve Instrument Agreement, those outstanding amounts payable by the Issuer under such Reserve Instrument Agreement to repay the Reserve Instrument Provider for payments previously made by it pursuant to a Reserve Instrument. There shall not be included in the calculation of Reserve Instrument Repayment Obligations any Reserve Instrument Costs.

“Revenue Fund” means the Eagle Mountain City, Utah Water and Sewer Revenue Fund created in the Indenture to be held by the Issuer.

“Revenues” means all revenues, fees (including impact fees to the extent such impact fees can legally be used for the purposes financed under the Indenture), income, rents and receipts received or earned by the Issuer from or attributable to the ownership and operation of the System (including proceeds of business interruption insurance), together with all interest earned by and profits derived from the sale of investments in the related funds thereof.

“S&P” means Standard & Poor’s Rating Services.

“Security Instrument” means an instrument or other device issued by a Security Instrument Issuer to pay, or to provide security or liquidity for, a Series of Bonds. The term “Security Instrument” includes, by way of example and not of limitation, letters of credit, bond insurance policies, standby bond purchase agreements, lines of credit and other security instruments and credit enhancement or liquidity devices (but does not include a Reserve Instrument); provided, however, that no such device or instrument shall be a “Security Instrument” for purposes of the Indenture unless specifically so designated in a Supplemental Indenture authorizing the use of such device or instrument.

“Security Instrument Agreement” means any agreement entered into by the Issuer and a Security Instrument Issuer pursuant to a Supplemental Indenture (including the applicable portions of a Supplemental Indenture) providing for the issuance by such Security Instrument Issuer of a Security Instrument.

“Security Instrument Costs” means, with respect to any Security Instrument, all fees, premiums, expenses and similar costs, other than Security Instrument Repayment Obligations, required to be paid to a Security Instrument Issuer pursuant to a Security Instrument Agreement or the Supplemental Indenture authorizing the use of such Security Instrument. Such Security Instrument Agreement or Supplemental Indenture shall specify any fees, premiums, expenses, and costs constituting Security Instrument Costs.

“Security Instrument Issuer” means any bank or other financial institution, insurance company, surety company, or other institution issuing a Security Instrument.

“Security Instrument Repayment Obligations” means, as of any date of calculation and with respect to any Security Instrument Agreement, any outstanding amounts payable by the Issuer under the Security Instrument Agreement or the Supplemental Indenture authorizing the use of such Security Instrument to repay the Security Instrument Issuer for payments previously or concurrently made by the Security Instrument Issuer pursuant to a Security Instrument. There shall not be included in the calculation of the amount of Security Instrument Repayment Obligations any Security Instrument Costs.

“Series” means all of the Bonds identified pursuant to the Supplemental Indenture authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefor.

“Sinking Fund Account” means the Eagle Mountain City, Utah Water and Sewer Revenue Sinking Fund Account of the Bond Fund created in the Indenture to be held by the Trustee.

“Sinking Fund Installment” means the amount of money which is required to be deposited into the Sinking Fund Account in each Bond Fund Year for the retirement of Term Bonds as specified in the Supplemental Indenture authorizing said Term Bonds (whether at maturity or by redemption), and including the redemption premium, if any.

“Special Record Date” means such date as may be fixed for the payment of defaulted interest on the Bonds in accordance with the Indenture.

“State” means the State of Utah.

“Supplemental Indenture” means any indenture between the Issuer and the Trustee entered into pursuant to and in compliance with the Indenture.

“Swap Counterparty” means a member of the International Swap Dealers Association rated in one of the three top Rating Categories by at least one of the Rating Agencies and meeting the requirements of applicable laws of the State.

“Swap Payments” means as of each payment date specified in an Interest Rate Swap, the amount, if any, payable to the Swap Counterparty by the Issuer. Swap Payments do not include any Termination Payments.

“Swap Receipts” means as of each payment date specified in an Interest Rate Swap, the amount, if any, payable for the account of the Issuer by the Swap Counterparty. Swap Receipts do not include amounts received with respect to the early termination or modification of an Interest Rate Swap.

“System” means, collectively, (i) the Issuer’s water facilities, including both culinary and irrigation facilities; and (ii) the Issuer’s sewer facilities; together with any additions, repairs, renewals, replacements, expansions, extensions and improvements to said System, or any part thereof, hereafter acquired or constructed, and together with all lands, easements, interests in land, licenses and rights of way of the Issuer and all other works,

property, structures, equipment of the Issuer and contract rights and other tangible and intangible assets of the Issuer now or hereafter owned or used in connection with, or related to said System.

“Term Bonds” means the Bonds which shall be subject to retirement by operation of mandatory sinking fund redemptions from the Sinking Fund Account.

“Termination Payments” means the amount payable to the Swap Counterparty by the Issuer with respect to the early termination or modification of an Interest Rate Swap. Termination Payments may only be payable from and secured by Revenues after payment of all amounts then due pursuant to the Indenture.

“Trustee” means U.S. Bank National Association, 170 South Main Street, Suite 200, Salt Lake City, Utah 84101, or any successor corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at any time serving as successor trustee under the Indenture.

“Utah Code” means Utah Code Annotated 1953, as amended.

“Variable Rate Bonds” means, as of any date of calculation, Bonds, the interest on which for any future period of time, is to be calculated at a rate which is not susceptible to a precise determination.

“Year” means any twelve-consecutive-month period.

## **The Bonds**

### Limited Obligation

The Bonds, together with interest thereon, and all Repayment Obligations shall be limited obligations of the Issuer payable solely from the Net Revenues (except to the extent paid out of moneys attributable to the Bond proceeds or other funds created under the Indenture and held by the Trustee (except the Rebate Fund) or the income from the temporary investment thereof). The Bonds shall be a valid claim of the Registered Owners thereof only against the Net Revenues and other moneys in funds and accounts held by the Trustee under the Indenture (except the Rebate Fund) and the Issuer pledges and assigns the same for the equal and ratable payment of the Bonds and all Repayment Obligations, and the Net Revenues shall be used for no other purpose than to pay the principal of, premium, if any, and interest on the Bonds and to pay the Repayment Obligations, except as may be otherwise expressly authorized in the Indenture or by Supplemental Indenture. The issuance of the Bonds and delivery of any Security Instrument Agreement or Reserve Instrument Agreement shall not, directly, indirectly or contingently, obligate the Issuer or any agency, instrumentality or political subdivision thereof to levy any form of taxation therefor or to make any appropriation for their payment.

### Indenture to Constitute Contract

In consideration of the purchase and acceptance from time to time of any and all of the Bonds authorized to be issued under the Indenture by the Registered Owners thereof, the issuance from time to time of any and all Security Instruments by Security Instrument Issuers, and the issuance from time to time of any and all Reserve Instruments by Reserve Instrument Providers pursuant to the Indenture, the Indenture shall be deemed to be and shall constitute a contract between the Issuer and the Owners from time to time of the Bonds, the Security Instrument Issuers and the Reserve Instrument Providers; and the pledge made in the Indenture and the covenants and agreements in the Indenture set forth to be performed by or on behalf of the Issuer shall be, FIRST, for the equal benefit, protection and security of the Owners of any and all of the Bonds and the Security Instrument Issuers of any and all of the Security Instruments all of which, regardless of the time or times of their issuance, delivery, maturity or expiration, shall be of equal rank without preference, priority or distinction of any of the Bonds or Security Instrument Repayment Obligations over any others, except as expressly provided in or permitted by the Indenture, and SECOND, for the equal benefit, protection and security of the Reserve Instrument Providers of any and all of the Reserve Instruments which, regardless of the time or times of their issuance, delivery or termination, shall be of equal rank without preference, priority or distinction of any Reserve Instrument over any other thereof.



Covenant against Creating or Permitting Liens

Except for the pledge of Net Revenues to secure payment of the Bonds and Repayment Obligations under the Indenture, the Net Revenues are and shall be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto; provided, however, that nothing contained in the Indenture shall prevent the Issuer from issuing, if and to the extent permitted by the Indenture and applicable law, indebtedness having a lien on Net Revenues subordinate to that of the Bonds and Repayment Obligations.

**Additional Bonds**

Special Provisions for the Issuance of Additional Construction Bonds

(a) One or more Series of Bonds may be authenticated and delivered upon original issuance from time to time in such principal amounts for each such Series as may be determined by the Issuer for the purpose of paying or providing for the payment of all or a portion of (1) the Cost of Construction of a Project, (2) principal and redemption price of and interest on Bond Anticipation Notes, or (3) any combination of (1) and (2). Each such Series shall be in such principal amount which, when taken together with moneys previously used, moneys then legally available, or moneys to be obtained in the future for such Project, will provide the Issuer with sufficient funds to pay the estimated Cost of Construction of such Project, as shall be set forth in the written certificate of the Issuer furnished pursuant to paragraph (c) below.

(b) Each Supplemental Indenture authorizing the issuance of a Series of Construction Bonds:

(i) Shall specify the Project for which the proceeds of such Series of Bonds will be applied;  
and

(ii) May require the Issuer to deposit a specified amount of money from the proceeds of the sale of such Series of Bonds or from other legally available sources into the applicable Project account sufficient to pay when due all or a portion of the interest on such Series of Bonds accrued and to accrue to the estimated completion date of the Project as set forth in the Written Certificate of the Issuer delivered pursuant to paragraph (c) below, plus interest to accrue on such Series of Bonds after the estimated completion date for up to one Year (or such different period as may then be permitted by law).

(c) Each Series of Construction Bonds shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the other documents required by the Indenture) of a written certificate of the Issuer, dated as of the date of such delivery, that contains the following:

(i) The then estimated completion date and the then estimated Cost of Construction of the Project being financed by such Series of Bonds;

(ii) A statement that, upon the authentication and delivery of the Bonds of such Series, no Event of Default has occurred and is then continuing under the Indenture and no event has or will have occurred which, with the passage of time or the giving of notice, or both, would give rise to an Event of Default under the Indenture;

(iii) (A) the estimated Net Revenues (plus any Other Available Moneys) of the Issuer for the then-current Bond Fund Year and each of the three succeeding Bond Fund Years, (B) the Aggregate Debt Service and the total Repayment Obligations with respect to all Series of Bonds to be Outstanding after the issuance of the proposed Series of Construction Bonds for each of these Bond Fund Years, and (C) a statement that such estimated Net Revenues (plus any Other Available Moneys) are not less than 125% of the Aggregate Annual Debt Service Requirement on all Bonds to be Outstanding for said Bond Fund Years.

(d) Notwithstanding any other provision of the Indenture, the provisions of (c)(iii) above shall not apply:

(i) to any Series of Construction Bonds, all of the proceeds of which are to be applied to pay the Cost of Construction of a Project necessary, as expressed in an Engineer's Certificate delivered to the Trustee, to keep the System or any component thereof in good operating condition or to prevent a loss of Revenues, or to comply with requirements of any governmental agency having jurisdiction over the Issuer or the System; or

(ii) to any Series of Bonds issued to pay the Cost of Construction necessary to complete any Project for which Construction Bonds have previously been issued, provided that the Trustee shall have received:

(A) An engineer's certificate to the effect that (i) the nature and purpose of such Project has not materially changed since the initial written certificate of the Issuer was filed pursuant to paragraph (c) above, and (ii) the then estimated Costs of Construction of the Project as contained in the written certificate of the Issuer delivered pursuant to paragraph (c) above exceeds the sum of the Costs of Construction already paid plus moneys available in the Acquisition/Construction Fund established for the Project (including unspent proceeds of Bonds previously issued for such purpose) plus other legally available moneys in the Revenue Fund; and

(B) A written certificate of the Issuer to the effect that (i) all of the proceeds (including investment earnings) of Construction Bonds (or Bond Anticipation Notes) previously issued to finance such Project have been or will be used to pay Costs of Construction of the Project; (ii) the issuance of such Series of Bonds is necessary to provide funds to pay Costs of Construction necessary for the Project; and (iii) the principal amount of such Series of Bonds does not exceed twenty-five percent of the principal amount of all Construction Bonds previously issued to finance such Project.

(e) The proceeds, including accrued interest, of each Series of Construction Bonds shall be deposited simultaneously with the delivery of such Bonds in the Acquisition/Construction Fund and, to the extent permitted by law and the provisions of the Indenture, in any other funds or such other funds or accounts as may be established by the Supplemental Indenture, in such amounts, if any, as may be provided in the Supplemental Indenture authorizing the issuance of such Series of Construction Bonds.

(f) There may also be deposited from any legally available source, to the extent permitted by law and the provisions of the Supplemental Indenture, in the funds or such other funds or accounts as may be established by the Supplemental Indenture, such amounts, if any, as may be provided in the Supplemental Indenture authorizing the issuance of such Series of Construction Bonds.

#### Special Provisions for the Issuance of Refunding Bonds

(a) One or more Series of Refunding Bonds may be issued in such principal amount which, when taken together with other legally available moneys, will provide the Issuer with moneys sufficient to accomplish the refunding of all or a part of the Outstanding Bonds of one or more Series, including in each case the payment of all expenses in connection with such refunding.

(b) Each Supplemental Indenture authorizing the issuance of a Series of Refunding Bonds shall specify the Bonds to be refunded.

(c) Each Series of Refunding Bonds (other than Cross-over Refunding Bonds) shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the other documents required by the Indenture) of the following documents or moneys or securities, all of such documents dated as of the date of such delivery (unless the Trustee shall accept any of such documents bearing a prior date):

(i) A written certificate of the Issuer certifying: (A) that the issuance of such Series of Refunding Bonds complies with the requirements of the Indenture, and (B) (1) the estimated Net Revenues (plus any Other Available Moneys) of the Issuer for the then-current Bond Fund Year and each of the three



succeeding Bond Fund Years, (2) the Aggregate Debt Service and the total Repayment Obligations with respect to all Series of Bonds to be Outstanding after the issuance of the proposed Series of Construction Bonds for each of these Bond Fund Years, and (3) that such estimated Net Revenues (plus any Other Available Moneys) are not less than 125% of the sum of the Aggregate Annual Debt Service Requirement on all Bonds Outstanding for said Year;

provided, however, that such Revenue coverage test set forth above shall not apply to Refunding Bonds issued for the purpose of refunding Bonds originally issued under the Indenture, to the extent that (i) the Average Aggregate Annual Debt Service for such Refunding Bonds does not exceed the then remaining Average Aggregate Annual Debt Service for the Bonds being refunded therewith and (ii) the maximum Aggregate Annual Debt Service Requirement for such Refunding Bonds is less than or equal to the maximum Aggregate Annual Debt Service Requirement for the Bonds being refunded therewith;

(ii) Irrevocable instructions to the Trustee, satisfactory to it, to give due notice of any redemption of the Bonds to be refunded on the redemption date or dates specified in such instructions;

(iii) If, within the next succeeding 90 days, the Bonds to be refunded do not mature, are not redeemable or are not to be redeemed, irrevocable instructions to the Trustee satisfactory to it, to mail the notice required by the Indenture to the Owners of the Bonds being refunded; and

(iv) Either (A) moneys in an amount sufficient to effect payment of the principal or the applicable redemption price of the Bonds to be refunded, together with accrued interest to the maturity or redemption date, as the case may be, which moneys shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for the Bonds to be refunded, or (B) Government Obligations in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications and any moneys, as shall be necessary to comply with the Indenture, which Government Obligations and moneys shall be held in trust and used only as provided in the Indenture.

(d) Each Series of Cross-over Refunding Bonds shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the documents required elsewhere in the Indenture) of the following documents or moneys or securities, all of such documents dated as of the date of such delivery (unless the Trustee shall accept any of such documents bearing a prior date):

(i) a written certificate of the Issuer stating that the issuance of such Series of Cross-over Refunding Bonds complies with the requirements of the Indenture;

(ii) instructions to the Trustee, satisfactory to it, to give due notice of any redemption of the Cross-over Refunded Bonds on the Cross-over Date or on such other redemption date or dates, and subject to such conditions, as shall be specified in such instructions;

(iii) if the Cross-over Refunded Bonds are not by their terms subject to redemption within the 90 days next succeeding the Cross-over Date, instructions to the Trustee, satisfactory to it, to mail the notice provided for in the Indenture to the Owners of the Cross-over Refunded Bonds on such date or dates as shall be specified in such instructions;

(iv) either (A) moneys in an amount sufficient to effect payment of the interest on the Cross-over Refunding Bonds to the Cross-over Date and the principal or the applicable redemption price of the Cross-over Refunded Bonds on the Cross-over Date (or other redemption date of the Cross-over Refunded Bonds), which moneys shall be held by the Trustee or any one or more of the Paying Agents in a separate trust account, or (B) Qualified Investments in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications and any moneys, as shall be necessary to comply with the provisions of the Supplemental Indenture authorizing the issuance of the Cross-over Refunding Bonds; and

(v) there shall be filed with the Trustee a written certificate of an independent public accountant demonstrating the sufficiency of the moneys and investments in the escrow to pay the interest on the Cross-over Refunding Bonds to the Cross-over Date and the principal or redemption price, as applicable, of the Cross-over Refunded Bonds on the Cross-over Date (or other redemption date of the Cross-over Refunded Bonds).

Any Supplemental Indenture providing for the issuance of Cross-over Refunding Bonds may establish conditions to the occurrence of the Cross-over Date and provide that the Cross-over Date will not occur if such conditions are not satisfied, in which case the Cross-over Refunding Bonds will be redeemed on the Cross-over Date from the proceeds thereof, escrowed interest and other moneys available therefor. Each such Supplemental Indenture shall, in addition to all other requirements of this Section, provide that (i) until the occurrence of the Cross-over Date none of the principal or redemption price of and interest on the Cross-over Refunding Bonds shall be payable from or secured by the pledge of the Indenture, but shall be payable from the proceeds of the Cross-over Refunding Bonds, escrowed interest, and such other sources as may be provided in such Supplemental Indenture; and (ii) upon the occurrence of the Cross-over Date, the Cross-over Refunding Bonds shall be secured by the lien of the Indenture on a parity with all other Series of Bonds Outstanding.

(e) A Series of Refunding Bonds may be combined with a Series of Construction Bonds.

#### Conditions for Issuance of Bond Anticipation Notes

(a) One or more Series of Bond Anticipation Notes may be authenticated and delivered upon original issuance from time to time in such principal amount for each such Series as may be determined by the Issuer for the purpose of paying or providing for the payment of all or a portion of the Cost of Construction of any Project, or the refunding of Bond Anticipation Notes, or a combination of such purposes.

(b) (i) Each Supplemental Indenture authorizing the issuance of a Series of Bond Anticipation Notes (i) shall specify the Project to which the proceeds of such Series of Bond Anticipation Notes will be applied; and (ii) may provide for the deposit of a specified amount of money from the proceeds of the sale of such Series of Bond Anticipation Notes into a Project account in the Acquisition/Construction Fund to pay when due all or a portion of the interest on such Series of Bond Application Notes accrued and to accrue to the estimated completion date set forth in the written certificate of the Issuer delivered with respect to such Series of Bond Anticipation Notes pursuant to paragraph (c) below, plus interest to accrue on such Series of Bond Anticipation Notes after the estimated completion date for up to one Year (or such different period as may then be permitted by law).

(ii) The payment of the interest on Bond Anticipation Notes shall be on a parity with the lien and charge created in the Indenture for the payment of the Bonds. The payment of the Principal on Bond Anticipation Notes shall be payable solely from the proceeds of Bonds or amounts on deposit in a fund which is subordinate to the Bond Fund and the Supplemental Indenture pursuant to which any Series of Bond Anticipation Notes is issued shall so provide. Each Bond Anticipation Note shall state on its face that the payment of principal thereof is so subordinated.

(iii) No Bond Anticipation Note shall mature later than five years from its date, including all refundings thereof by Bond Anticipation Notes (whether such refundings occur by reason of exchanges of Bond Anticipation Notes or by reason of payment of such Bond Anticipation Notes from refunding Bond Anticipation Notes, or otherwise).

(c) Each Series of Bond Anticipation Notes shall be authorized and delivered by the Trustee only upon receipt by the Trustee (in addition to the other documents required by the Indenture) a written certificate of the Issuer, dated as of the date of such delivery, that contains the following:

(i) The then estimated completion date and the then estimated Cost of Construction of the Project being financed by such Series of Bond Anticipation Notes;

(ii) A statement that, upon the authentication and delivery of the Bond Anticipation Notes of such Series, no Event of Default has occurred and is then continuing under the Indenture and no event has or will have occurred which, with the passage of time or the giving of notice, or both, would give rise to an Event of Default under the Indenture; and

(iii) A statement that the issuance of such Series of Bond Anticipation Notes complies with the requirements of the Indenture.

## **Use of Funds**

### Use of Acquisition/Construction Fund

(a) So long as an Event of Default shall not have occurred and be continuing and except as otherwise provided by Supplemental Indenture, moneys deposited in the appropriate account in the Acquisition/Construction Fund shall be disbursed by the Trustee to pay the Costs of a Project, in each case within three Business Days (or within such longer period as is reasonably required to liquidate investments in the Acquisition/Construction Fund if required to make such payment) after the receipt by the Trustee of a written requisition approved by an Authorized Representative of the Issuer in substantially the form attached to the Indenture, stating that the Trustee shall disburse sums in the manner specified by and at the direction of the Issuer to the person or entity designated in such written requisition, and that the amount set forth in the Indenture is justly due and owing and constitutes a Cost of a Project based upon audited, itemized claims substantiated in support thereof.

(b) Upon receipt of such requisition, the Trustee shall pay the obligation set forth in such requisition out of moneys in the applicable account in the Acquisition/Construction Fund. In making such payments the Trustee may rely upon the information submitted in such requisition. Such payments shall be presumed to be made properly and the Trustee shall not be required to verify the application of any payments from the Acquisition/Construction Fund or to inquire into the purposes for which disbursements are being made from the Acquisition/Construction Fund.

(c) The Issuer shall deliver to the Trustee, within 90 days after the completion of a Project, a certificate executed by an Authorized Representative of the Issuer stating:

(i) that such Project has been fully completed in accordance with the plans and specifications therefor, as amended from time to time, and stating the date of completion for such Project; and

(ii) that the Project has been fully paid for and no claim or claims exist against the Issuer or against such Project out of which a lien based on furnishing labor or material exists or might ripen; provided, however, there may be excepted from the foregoing certification any claim or claims out of which a lien exists or might ripen in the event the Issuer intends to contest such claim or claims, in which event such claim or claims shall be described to the Trustee.

(d) In the event the certificate filed with the Trustee pursuant to paragraph (c) above shall state that there is a claim or claims in controversy which create or might ripen into a lien, an Authorized Representative of the Issuer shall file a similar certificate with the Trustee when and as such claim or claims shall have been fully paid or otherwise discharged.

(e) The Trustee and the Issuer shall keep and maintain adequate records pertaining to each account within the Acquisition/Construction Fund and all disbursements therefrom.

(f) Unless otherwise specified in a Supplemental Indenture, upon completion of a Project and payment of all costs and expenses incident thereto and the filing with the Trustee of documents required by this section, any balance remaining in the applicable account in the Acquisition/Construction Fund relating to such Project shall, as directed by an Authorized Representative of the Issuer, be deposited in the Bond Fund to redeem the

Series of Bonds issued to finance such Project or to be used for such other purpose or purposes as approved by bond counsel.

(g) The Trustee may, to the extent there are no other monies held under the Indenture, use any moneys in the Acquisition/Construction Fund to pay Principal and interest on the Bonds at any time upon the occurrence of an Event of Default.

#### Application of Revenues

(a) Unless otherwise provided in the Indenture, all Revenues shall be deposited in the Revenue Fund and shall be accounted for by the Issuer separate and apart from all other moneys of the Issuer.

(b) As a first charge and lien on the Revenues, the Issuer shall cause he paid from the Revenue Fund from time to time as the Issuer shall determine, all Operation and Maintenance Expenses of the System as the same become due and payable, and thereupon such expenses shall be promptly paid.

(c) So long as any Bonds are Outstanding, as a second charge and lien on the Revenues after payment of Operation and Maintenance Expenses, i.e., from the Net Revenues, the Issuer shall, at least fifteen (15) days before each Interest Payment Date, transfer from the Revenue Fund to the Trustee for and deposit into the Bond Fund an amount equal to:

(i) the interest falling due on the Bonds on the next succeeding Interest Payment Date established for the Bonds (provided, however, that so long as there are moneys representing capitalized interest on deposit with the Trustee to pay interest on the Bonds next coming due, the Issuer need not transfer moneys to the Trustee to pay interest on the Bonds); plus

(ii) the Principal and premium, if any, falling due on the next succeeding Interest Payment Date established for the Bonds; plus

(iii) the Sinking Fund Installment, if any, falling due on the next succeeding Interest Payment Date. the sum of which shall be sufficient, when added to the existing balance in the Bond Fund, to pay the Principal of, premium, if any, and interest on the Bonds promptly on each such Interest Payment Date as the same become due and payable.

(d) As a third charge and lien on the Net Revenues (on a parity basis), the Issuer shall make the following transfers to the Trustee on or before the fifteenth day of each month of each year:

(i) To the extent the Debt Service Reserve Requirement, if any, is not funded with a Reserve Instrument or Instruments, (A) to the account(s) in the Debt Service Reserve Fund any amounts required hereby and by any Supplemental Indenture to accumulate therein the applicable Debt Service Reserve Requirement with respect to each Series of Bonds at the times and in the amounts provided herein and in any Supplemental Indenture and (B) if moneys shall have been withdrawn from an account in the Debt Service Reserve Fund or any account in the Debt Service Reserve Fund is at any time funded in an amount less than the applicable Debt Service Reserve Requirement, moneys sufficient in amount to restore such account(s) within one Year with twelve (12) substantially equal payments during such period (unless otherwise provided for by the Supplemental Indenture governing the applicable Debt Service Reserve Requirement); or a ratable portion (based on the amount to be transferred pursuant to subsection (d)(ii) below) of remaining Net Revenues if than the full amount necessary; and

(ii) Equally and ratably to the account(s) of the Reserve Instrument Fund, with respect to all Reserve Instruments which are in effect, such amount or a ratable portion (based on the amount to be transferred pursuant to subsection (d)(i) above) if less than the full amount necessary, that is required to be paid, on or before the next such monthly transfer or deposit of Net Revenues into the Reserve Instrument Fund, to the Reserve Instrument Provider pursuant to any Reserve Instrument Agreement, other than Reserve Instrument Costs, to cause the Reserve Instrument Coverage to equal the Reserve Instrument Limit within one Year from any draw date under the Reserve Instrument.



(e) As a fourth charge and lien on the Net Revenues, the Issuer shall deposit in the Repair and Replacement Fund any amount required hereby and by any Supplemental Indenture to accumulate therein the Repair and Replacement Reserve Requirement. In the event that the amount on deposit in the Repair and Replacement Fund shall ever be less than the Repair and Replacement Reserve Requirement for the Bonds then Outstanding from time to time, the Issuer shall deposit to the Repair and Replacement Fund from the Revenue Fund all remaining Net Revenues of the System after payments required by sections (b), (c) and (d) above have been made until there is on deposit Repair and Replacement Fund an amount equal to the Repair and Replacement Reserve Requirement. This provision is not intended to limit, and shall not limit, the right of the Issuer to deposit additional moneys in the Repair and Replacement Fund from time to time as the Issuer may determine.

(f) The foregoing provisions set forth in sections (b), (c), (d), and (e) may be revised by a Supplemental Indenture for any Series Bonds having other than semiannual Interest Payment Dates.

(g) The Net Revenues remaining after the foregoing deposits and transfers and not required to be used for remedying any deficiencies in payments previously made into the funds hereinabove established, may be used at any time for any of the following: (i) redemption of Bonds; (ii) refinancing, refunding, or advance refunding of any Bonds; (iii) deposit to the Rate Stabilization Fund; (iv) any other lawful purpose.

#### Use of Bond Fund

The Issuer may direct the Trustee, pursuant to a Supplemental Indenture, to create an account within the Bond Fund for a separate Series of Bonds under the Indenture.

(a) The Trustee shall make deposits to the Bond Fund, as and when received, as follows:

(i) accrued interest received upon the issuance of any Series of Bonds;

(ii) all moneys payable by the Issuer as specified in the Indenture;

(iii) any amount in the Acquisition/Construction Fund to the extent required by or directed pursuant to paragraph (f) in "Use of Acquisition/Construction Fund" upon completion of a Project;

(iv) all moneys transferred from the Debt Service Reserve Fund or from a Reserve Instrument or Instruments then in effect as described under the heading "Use of Debt Service Reserve Fund," and

(v) all other moneys received by the Trustee under the Indenture when accompanied by directions from the person depositing such moneys that such moneys are to be paid into the Bond Fund.

(b) Except as provided in "EVENTS OF DEFAULT—Application of Moneys" and as provided in this heading and except as otherwise provided by Supplemental Indenture, moneys in the Bond Fund shall be expended solely for the following purposes and in the following order of priority:

(i) on or before each Interest Payment Date for each Series of Bonds, the amount required to pay the interest due on such date;

(ii) on or before each Interest Payment Date, the amount required to pay the Principal Installment due on such due date; and

(iii) on or before each redemption date for each Series of Bonds, the amount required to pay the redemption price of and accrued interest on such Bonds then to be redeemed.

Such amounts shall be applied by the Paying Agent to pay Principal Installments and redemption price of, and interest on the related Series of Bonds.

The Trustee shall pay out of the Bond Fund to the Security Instrument Issuer, if any, that has issued a Security Instrument with respect to such Series of Bonds an amount equal to any Security Instrument Repayment Obligation then due and payable to such Security Instrument Issuer. Except as otherwise specified in a related Supplemental Indenture all such Security Instrument Repayment Obligations shall be paid on a parity with the payments to be made with respect to principal and interest on the Bonds; provided that amounts paid under a Security Instrument shall be applied only to pay the related Series of Bonds. If payment is so made on Pledged Bonds held for the benefit of the Security Instrument Issuer, a corresponding payment on the Security Instrument Repayment Obligation shall be deemed to have been made (without requiring an additional payment by the Issuer) and the Trustee shall keep its records accordingly.

The Issuer authorizes and directs the Trustee to withdraw sufficient funds from the Bond Fund to pay principal of and interest on the Bonds and on Security Instrument Repayment Obligations as the same become due and payable and to make said funds so withdrawn available to the Trustee and any Paying Agent for the purpose of paying said Principal and interest.

(c) After payment in full of the Principal of and interest on (1) all Bonds issued under the Indenture (or after provision has been made for the payment thereof as provided in the Indenture so that such Bonds are no longer Outstanding); (2) all agreements relating to all outstanding Security Instrument Repayment Obligations and Reserve Instrument Repayment Obligations in accordance with their respective terms; and (3) the fees, charges and expenses of the Trustee, the Paying Agent and any other amounts required to be paid under the Indenture or under any Supplemental Indenture and under any Security Instrument Agreement and under any Reserve Instrument Agreement; all amounts remaining in the Bond Fund shall be paid to the Issuer.

#### Use of Sinking Fund Account

(a) The Trustee shall apply moneys in the Sinking Fund Account to the retirement of any Term Bonds required to be retired by operation of the Sinking Fund Account under the provisions of and in accordance with the Supplemental Indenture authorizing the issuance of such Term Bonds, either by redemption in accordance with such Supplemental Indenture or, at the direction of the Issuer, purchase of such Term Bonds in the open market prior to the date on which notice of the redemption of such Term Bonds is given pursuant to the Indenture, at a price not to exceed the redemption price of such Term Bonds (plus accrued interest which will be paid from moneys in the Bond Fund other than those in the Sinking Fund Account).

(b) On the maturity date of any Term Bonds, the Trustee shall apply the moneys on hand in the Sinking Fund Account for the payment of the Principal of such Term Bonds.

#### Use of Debt Service Reserve Fund

Except as otherwise provided in this section and subject to the immediately following sentence, moneys in each account in the Debt Service Reserve Fund shall at all times be maintained in an amount not less than the applicable Debt Service Reserve Requirement, if any. In calculating the amount on deposit in each account in the Debt Service Reserve Fund, the amount of any Reserve Instrument Coverage will be treated as an amount on deposit in such account in the Debt Service Reserve Fund. Each Supplemental Indenture authorizing the issuance of a Series of Bonds shall specify the Debt Service Reserve Requirement, if any, applicable to such Series which amount shall either be (i) deposited immediately upon the issuance and delivery of such Series from (a) proceeds from the sale thereof or from any other legally available source, or (b) by a Reserve Instrument or Instruments, or (c) any combination thereof, (ii) deposited from available Net Revenues over the period of time specified, or (iii) deposited from any combination of (i) and (ii) above; provided however, the foregoing provisions shall be subject to the requirements of any Security Instrument Issuer set forth in any Supplemental Indenture. If at any time the amount on deposit in any account of the Debt Service Reserve Fund is less than the minimum amount to be maintained in the Indenture under this section, the Issuer is required, pursuant to the Indenture and the provisions of any Supplemental Indenture, to make payments totaling the amount of any such deficiency directly to the Trustee for deposit into the Debt Service Reserve Fund.

In the event moneys on deposit in an account of the Debt Service Reserve Fund are needed to make up any deficiencies in the Bond Fund as aforementioned, and there is insufficient cash available in such account of the Debt



Service Reserve Fund to make up such deficiency and Reserve Instrument applicable to such Series are in effect, the Trustee shall immediately make a demand for payment on such Reserve Instrument, to the maximum extent authorized by such Reserve Instrument, in the amount necessary to make up such deficiency, and immediately deposit such payment upon receipt thereof into the Bond Fund. Thereafter, the Issuer shall be obligated to reinstate the Reserve Instrument as provided in the Indenture.

No Reserve Instrument shall be allowed to expire or terminate while the related Series of Bonds is Outstanding unless and until cash has been deposited into the related account of the Debt Service Reserve Fund, or a new Reserve Instrument has been issued in place of the expiring or terminating Reserve Instrument, or any combination thereof in an amount or to provide coverage, as the case may be, at least equal to the amount required to be maintained in the related account of the Debt Service Reserve Fund.

Moneys at any time on deposit in the account of the Debt Service Reserve Fund in excess of the amount required to be maintained therein (taking into account the amount of related Reserve Instrument Coverage) shall be transferred by the Trustee to the Bond Fund at least once each year.

Moneys on deposit in any account of the Debt Service Reserve Fund shall be used to make up any deficiencies in the Bond Fund only for the Series of Bonds secured by said account and any Reserve Instrument shall only be drawn upon with respect to the Series of Bonds for which such Reserve Instrument was obtained.

The Issuer may, upon obtaining approving opinion of bond counsel to the effect that such transaction will not adversely affect the excludability from gross income for federal income tax purposes of interest payable on the Bonds, replace any amounts required to be on deposit in the Debt Service Reserve Fund with a Reserve Instrument.

#### Use of Reserve Instrument Fund

There shall be paid into the Reserve Instrument Fund the amounts required by the Indenture and by a Supplemental Indenture to be so paid. The amounts in the Reserve Instrument Fund shall, from time to time, be applied by the Trustee on behalf of the Issuer to pay the Reserve Instrument Repayment Obligations which are due and payable to any Reserve Instrument Provider under any applicable Reserve Instrument Agreement.

#### Use of Repair and Replacement Fund

All moneys in the Repair and Replacement Fund may be drawn on and used by the Issuer for the purpose of (a) paying the cost of unusual or extraordinary maintenance or repairs of the System; (b) paying the costs of any renewals, renovation, improvements, expansion or replacements to the System; and (c) paying the cost of any replacement of buildings, lines, equipment and other related facilities, to the extent the same are not paid as part of the ordinary and normal expense of the operation of the System.

Moneys shall be deposited at least annually from available Net Revenues in such amounts as may be required from time to time by each Supplemental Indenture until the Repair and Replacement Fund has an amount equivalent to the Repair and Replacement Reserve Requirement. Any deficiencies below the Repair and Replacement Reserve Requirement shall be made up from Net Revenues of the System available for such purposes. Moneys at any time on deposit in the Repair and Replacement Fund in excess of the amount required to be maintained therein, at any time, be maintained in the Repair and Replacement Fund or be used by the Issuer for any lawful purpose.

#### Use of Rate Stabilization Fund

The Rate Stabilization Fund may be funded by the Issuer from Revenues of the System transferred from the Revenue Fund as provided in the Indenture. The Issuer may, from time to time, designate all or a portion of the amounts on deposit in the Rate Stabilization Fund as Other Available Moneys (as described in the definition thereof). Except for amounts designated as provided in the immediately preceding sentence (for the Bond Fund Year so designated), amounts on deposit in the Rate Stabilization Fund may be used by the Issuer for any lawful purpose and to the extent that amounts on deposit in the Revenue Fund are insufficient in any Bond Fund Year to

fund all obligations set forth in the Indenture during that Bond Fund Year, the Issuer covenants to transfer moneys from the Rate Stabilization Fund to the Revenue Fund to cover any such insufficiency.

### **Investment of Funds**

Any moneys in the Bond Fund, the Acquisition/Construction Fund, the Reserve Instrument Fund, the Rebate Fund, the Debt Service Reserve Fund shall, at the discretion and authorization of the Issuer, be invested by the Trustee in Qualified Investments; provided, however, that moneys on deposit in the Bond Fund, the Reserve Instrument Fund, and Debt Service Reserve Fund may only be invested in Qualified Investments having a maturity date of one Year or less. If no written authorization is given to the Trustee, moneys shall be held uninvested. Such investments shall be held by the Trustee, and when the Trustee determines it necessary to use the moneys in the Funds for the purposes for which the Funds were created, it shall liquidate at prevailing market prices as much of the investments as may be necessary and apply the proceeds to such purposes. All income derived from the investment of the Acquisition/Construction Fund, the Bond Fund, the Reserve Instrument Fund and the Rebate Fund shall be maintained in said respective Funds and disbursed along with the other moneys on deposit therein as provided in the Indenture. All income derived from the investment of the Debt Service Reserve Fund shall be disbursed in accordance with "Use of Debt Service Reserve Fund."

The Trustee shall have no liability or responsibility for any loss resulting from any investment made in accordance with the provisions of this Section. The Trustee shall be entitled to assume that any investment, which at the time of purchase is a Qualified Investment, remains a Qualified Investment thereafter, absent receipt of written notice or information to the contrary.

The Trustee may, to the extent permitted by law, make any and all investments permitted by the provisions of the Indenture through its own or any of its affiliate's investment departments.

The Issuer acknowledges that to the extent regulations of the comptroller of the currency or any other regulatory entity grant the Issuer the right to receive brokerage confirmations of the security transactions as they occur, the Issuer specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Issuer periodic cash transaction statements which include the detail for all investment transactions made by the Trustee under the Indenture.

The Issuer may invest the amounts on deposit in the Revenue Fund, the Repair and Replacement Fund, and the Rate Stabilization Fund as permitted by applicable law.

In the event the Issuer shall be advised by nationally recognized municipal bond counsel that it is necessary to restrict or limit the yield on the investment of any moneys paid to or held by the Trustee in order to avoid the Bonds, or any Series thereof, being considered "arbitrage bonds" within the meaning of the Code or the Treasury Regulations proposed or promulgated thereunder, or to otherwise preserve the excludability of interest payable or paid on any Bonds from gross income for federal income tax purposes, the Issuer may require in writing the Trustee to take such steps as it may be advised by such counsel are necessary so to restrict or limit the yield on such investment, irrespective of whether the Trustee shares such opinion, and the Trustee agrees that it will take all such steps as the Issuer may require.

### **Trust Funds**

All moneys and securities received by the Trustee under the provisions of the Indenture shall be trust funds under the terms hereof and shall not be subject to lien or attachment of any creditor of the State or any political subdivision, body, agency, or instrumentality thereof or of the Issuer and shall not be subject to appropriation by any legislative body or otherwise. Such moneys and securities shall be held in trust and applied in accordance with the provisions of the Indenture. Except as provided otherwise in the Indenture, unless and until disbursed pursuant to the terms of the Indenture, all such moneys and securities (and the income therefrom) shall be held by the Trustee as security for payment of the Principal of, premium, if any, and interest on the Bonds, all Repayment Obligations, and the fees and expenses of the Trustee payable under the Indenture.

## **Method of Valuation and Frequency of Valuation**

In computing the amount in any fund or account, Qualified Investments shall be valued at market, exclusive of accrued interest. With respect to all funds and accounts, valuation shall occur annually, except in the event of a withdrawal from the Debt Service Reserve Fund, whereupon securities shall be valued immediately after such withdrawal.

## **Covenants**

### General Covenants

The Issuer hereby covenants and agrees with each and every Registered Owner of the Bonds issued under the Indenture, Security Instrument Issuer and Reserve Instrument Provider as follows:

(a) While any of the Principal of and interest on the Bonds are outstanding and unpaid, or any Repayment Obligations are outstanding, any resolution or other enactment of the Governing Body of the Issuer, applying the Net Revenues for the payment of the Bonds and the Repayment Obligations shall be irrevocable until the Bonds and/or any Repayment Obligations have been paid in full as to both Principal and interest, and is not subject to amendment in any manner which would impair the rights of the holders of those Bonds or the Repayment Obligations which would in any way jeopardize the timely payment of Principal or interest when due. Furthermore, the rates including connection fees, for all services supplied by the System to the Issuer and to its inhabitants and to all customers within or without the boundaries of the Issuer, shall be sufficient to pay the Operation and Maintenance Expenses for the System, and to provide Net Revenues for each Bond Fund Year of not less than 115% of the Aggregate Annual Debt Service Requirement for such Year, plus an amount sufficient to fund the Debt Service Reserve Fund in the time, rate and manner specified in the Indenture, provided, however, that such rates must be reasonable rates for the type, kind and character of the service rendered. The Issuer agrees that should its annual financial statement made in accordance with the provisions of paragraph (d) below disclose that during the period covered by such financial statement the Net Revenues and Other Available Funds were not at least equal to the above requirement, the Issuer shall request that a Qualified Engineer make recommendations as to the revision of the rates, charges and fees and that the Issuer on the basis of such recommendations will revise the schedule of rates, charges and fees insofar as is practicable and further revise Operation and Maintenance Costs so as to produce the necessary Net Revenues as required in the Indenture.

(b) The Issuer will maintain the System in good condition and operate the same in an efficient manner.

(c) Each Registered Owner, Security Instrument Issuer and Reserve Instrument Provider shall have a right, in addition to all other rights afforded it by the laws of the State, to apply to and obtain from any court of competent jurisdiction such decree or order as may be necessary to require the Issuer to charge or collect reasonable rates for services supplied by the System sufficient to meet all requirements of the Indenture and of any applicable Security Instrument Agreement and Reserve Instrument Agreement.

(d) So long as any Principal and interest payments of the Bonds are Outstanding, or any Repayment Obligations are outstanding, proper books of record and account will be kept by the Issuer separate and apart from all other records and accounts, showing complete and correct entries of all transactions relating to the System. Each Registered Owner, Security Instrument Issuer and Reserve Instrument Provider, or any duly authorized agent or agents thereof shall have the right at all reasonable times to inspect all records, accounts and data relating thereto and to inspect the System. Except as otherwise provided in the Indenture, the Issuer further agrees that it will within one hundred eighty (180) days following the close of each Bond Fund Year cause an audit of such books and accounts to be made by an independent firm of certified public accountants, showing the receipts and disbursements for account of the Net Revenues and the System, and that such audit will be available for inspection by each Registered Owner, Security Instrument Issuer and Reserve Instrument Provider.

(e) There shall be no free water or sewer service, and such rates shall be charged against all users of the System, including the Issuer.

All expenses incurred in compiling the information required by this Section shall be regarded and paid as an Operation and Maintenance Expense.

#### First Lien Bonds: Equality of Liens

The Bonds and any Security Instrument Repayment Obligations constitute an irrevocable first lien upon the Net Revenues. The Issuer covenants that the Bonds and Security Instrument Repayment Obligations hereafter authorized to be issued and from time to time outstanding are equitably and ratably secured by a first lien on the Net Revenues and shall not be entitled to any priority one over the other in the application of the Net Revenues regardless of the time or times of the issuance of the Bonds or delivery of Security Instruments, it being the intention of the Issuer that there shall be no priority among the Bonds or the Security Instrument Repayment Obligations regardless of the fact that they may be actually issued and/or delivered at different times.

Any assignment or pledge from the Issuer to a Reserve Instrument Provider of (i) proceeds of the issuance and sale of Bonds, (ii) Net Revenues, or (iii) Funds established by the Indenture, including investments, if any, thereof, is and shall be subordinate to the assignment and pledge effected hereby to the Registered Owners of the Bonds and to the Security Instrument Issuers.

#### Payment of Principal and Interest

The Issuer covenants that it will punctually pay or cause to be paid the Principal of and interest on every Bond issued under the Indenture, any Security Instrument Repayment Obligations and any Reserve Instrument Repayment Obligations, in strict conformity with the terms of the Bonds, the Indenture, any Security Instrument Agreement and any Reserve Instrument Agreement, according to the true intent and meaning of the Indenture. The Principal of and interest on the Bonds, any Security Instrument Repayment Obligations and any Reserve Instrument Repayment Obligations are payable solely from the Net Revenues (except to the extent paid out of moneys attributable to Bond proceeds or other funds created under the Indenture or the income from the temporary investment thereof), which Net Revenues are specifically pledged and assigned to the payment thereof in the manner and to the extent specified in the Indenture, and nothing in the Bonds, the Indenture, any Security Instrument Agreement or any Reserve Instrument Agreement should be considered as pledging any other funds or assets of the Issuer for the payment thereof.

#### Expeditious Construction

The Issuer shall complete the acquisition and construction of each Project with all practical dispatch and will cause all construction to be effected in a sound and economical manner.

#### Management of System

The Issuer, in order to assure the efficient management and operation of the System and to assure each Registered Owner, Security Instrument Issuer and Reserve Instrument Provider from time to time that the System will be operated on sound business principles, will employ competent and experienced management for the System, will use its best efforts to see that the System is at all times operated and maintained in first-class repair and condition and in such manner that the operating efficiency thereof shall be of the highest character.

#### Use of Legally Available Moneys

Notwithstanding any other provisions of the Indenture, nothing in the Indenture shall be construed to prevent the Issuer from (i) paying all or any part of the Operation and Maintenance Expenses from any moneys available to the Issuer for such purpose, (ii) depositing any moneys available to the Issuer for such purpose in any account in the Bond Fund for the payment of the interest on, premium, if any, or the Principal of any Bonds issued under provisions of the Indenture or for the redemption of any such Bonds or for the payment of any Security Instrument Repayment Obligations, or (iii) depositing any moneys available to the Issuer for such purpose in the Reserve Instrument Fund for the payment of any amounts payable under any applicable Reserve Instrument Agreement.



### Payment of Taxes and Other Charges

The Issuer covenants that all taxes and assessments or other municipal or governmental charges lawfully levied or assessed upon the System or upon any part thereof or upon any income therefrom will be paid when the same shall become due, that no lien or charge upon the System or any part thereof or upon any Revenues thereof, except for the lien and charge thereon created under the Indenture and securing the Bonds, will be created or permitted to be created ranking equally with or prior to the Bonds (except for the parity lien thereon of Additional Bonds issued from time to time under the Indenture and under Supplemental Indentures to the Indenture), and that all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon the System or any part thereof or upon the Revenues thereof will be paid or discharged, or adequate provision will be made for the payment or discharge of such claims and demands within 60 days after the same shall accrue; provided, however, that nothing in this Section shall require any such lien or charge to be paid or discharged or provision made therefor so long as the validity of such lien or charge shall be contested in good faith and by appropriate legal proceedings.

### Insurance

The Issuer, in its operation of the System, will self-insure or carry insurance, including, but not limited to, workmen's compensation insurance and public liability insurance, in such amounts and to such extent as is normally carried by others operating public utilities of the same type. The cost of such insurance shall be considered an Operation and Maintenance Expense of the System. In the event of loss or damage, insurance proceeds shall be used first for the purpose of restoring or replacing the property lost or damaged. Any remainder shall be paid into the Bond Fund.

### Covenant Not to Sell

The Issuer will not sell, lease, mortgage, encumber, or in any manner dispose of the System or any substantial part thereof, including any and all extensions and additions that may be made thereto, until all Principal of and interest on the Bonds, and all Repayment Obligations, have been paid in full, except as follows:

(a) The Issuer may sell any portion of said property (i) which shall have been replaced by other property of at least equal value, (ii) which shall cease to be necessary for the efficient operation of the System and the disposition of which will not, as determined by the governing body of the Issuer, result in a material reduction in Net Revenues in any Year; or (iii) the value, as determined by the governing body of the Issuer, of the property to be sold, leased, abandoned, mortgaged, or otherwise disposed of (together with any other property similarly disposed of within the Year preceding the proposed disposition) does not exceed 5% of the value of the System assets, as determined by the governing body of the Issuer, provided, however, that in the event of any sale as aforesaid, the proceeds of such sale not needed to acquire other System property shall be paid into the Bond Fund.

(b) The Issuer may lease or make contracts or grant licenses for the operation of, or make arrangements for the use of, or grant easements or other rights with respect to, any part of the System, provided that any such lease, contract, license, arrangement, easement or right does not impede the operation of the System; and any payment received by the Issuer under or in connection with any such lease, contract, license, arrangement, easement or right in respect of the System or any part thereof shall constitute Revenues.

### Billing Procedure

The Issuer shall submit a monthly billing for services rendered to persons who are liable for the payment of charges for such services, and shall require that each such bill be paid in full as a unit, and refuse to permit payment of a portion without payment of the remainder. Any bill not paid within thirty (30) days from the date it is mailed to the customer shall be deemed delinquent. The Issuer agrees that if any bill remains delinquent for more than sixty (60) days, it will initiate proceedings to cause all water service to the user concerned to be cut off immediately.

## **Events of Default; Remedies**

### Events of Default

Each of the following events is an "Event of Default" under the Indenture:

- (a) if payment of any installment of interest on any of the Bonds shall not be made by or on behalf of the Issuer when the same shall become due and payable, or
- (b) if payment of the Principal of or the redemption premium, if any, on any of the Bonds shall not be made by or on behalf of the Issuer when the same shall become due and payable, either at maturity or by proceedings for redemption in advance of maturity or through failure to fulfill any payment to any fund under the Indenture or otherwise; or
- (c) if the Issuer shall for any reason be rendered incapable of fulfilling its obligations under the Indenture; or
- (d) if an order or decree shall be entered, with the consent or acquiescence of the Issuer, appointing a receiver or custodian for any of the Revenues of the Issuer, or approving a petition filed against the Issuer seeking reorganization of the Issuer under the federal bankruptcy laws or any other similar law or statute of the United States of America or any state thereof, or if any such order or decree, having been entered without the consent or acquiescence of the Issuer shall not be vacated or discharged or stayed on appeal within 30 days after the entry thereof; or
- (e) if any proceeding shall be instituted, with the consent or acquiescence of the Issuer, for the purpose of effecting a composition between the Issuer and its creditors or for the purpose of adjusting the claims of such creditors pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are or may be under any circumstances payable from Revenues; or
- (f) if (i) the Issuer is adjudged insolvent by a court of competent jurisdiction, or (ii) an order, judgment or decree be entered by any court of competent jurisdiction appointing, without the consent of the Issuer, a receiver, trustee or custodian of the Issuer or of the whole or any part of the Issuer's property and any of the aforesaid adjudications, orders, judgments or decrees shall not be vacated or set aside or stayed within 60 days from the date of entry thereof; or
- (g) if the Issuer shall file a petition or answer seeking reorganization, relief or any arrangement under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof; or
- (h) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Issuer or of the whole or any substantial part of the property of the Issuer, and such custody or control shall not be terminated within 30 days from the date of assumption of such custody or control; or
- (i) if the Issuer shall fail to perform any other of the covenants, conditions, agreements and provisions contained in the Bonds, or in the Indenture or any Supplemental Indenture of the Indenture on the part of the Issuer to be performed, other than as set forth above in this Section, and such failure shall continue for 30 days after written notice specifying such failure and requiring the same to be remedied shall have been given to the Issuer by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Registered Owners of not less than 25% in aggregate Principal amount of the Bonds then Outstanding under the Indenture; or
- (j) any event specified in a Supplemental Indenture as constituting an Event of Default.

### Remedies; Rights of Registered Owners



Upon the occurrence of an Event of Default, the Trustee, upon being indemnified pursuant to the Indenture, may pursue any available remedy by suit at law or in equity to enforce the payment of the Principal of, premium, if any, and interest on any Outstanding Bonds or to enforce any obligations of the Issuer under the Indenture.

If an Event of Default shall have occurred, and if requested so to do by (i) Registered Owners of not less than 25% in aggregate Principal amount of the Bonds then Outstanding, (ii) Security Instrument Issuers at that time providing Security Instruments which are in full force and effect and not in default on any payment obligation and which secure not less than 25% in aggregate Principal amount of Bonds at the time Outstanding, or (iii) any combination of Registered Owners and Security Instrument Issuers described in (i) and (ii) above representing not less than 25% in aggregate Principal amount of Bonds at the time Outstanding, and indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Section as the Trustee, being advised by counsel, shall deem most expedient in the interest of the Registered Owners and the Security Instrument Issuers.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee (or to the Registered Owners or to the Security Instrument Issuers) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee, the Registered Owners or the Security Instrument Issuers or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any Event of Default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any Event of Default under the Indenture, whether by the Trustee or by the Registered Owners or the Security Instrument Issuers, shall extend to or shall affect any subsequent Event of Default or shall impair any rights or remedies consequent thereon.

#### Right of Registered Owners to Direct Proceedings

Anything in the Indenture to the contrary notwithstanding, unless a Supplemental Indenture provides otherwise, either (i) the Registered Owners of not less than 50% in aggregate Principal amount of the Bonds then Outstanding, (ii) the Security Instrument Issuers at the time providing Security Instruments which are in full force and effect and not in default on any payment obligation and which secure not less than 50% in aggregate Principal amount of Bonds then Outstanding, or (iii) any combination of Registered Owners and Security Instrument Issuers described in (i) and (ii) above representing not less than 50% in aggregate Principal amount of Bonds at the time Outstanding, shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings under the Indenture; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture.

#### Application of Moneys

All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Section shall, after payment of Trustee's fees and expenses including the fees and expenses of its counsel for the proceedings resulting in the collection of such moneys and of the expenses and liabilities and advances incurred or made by the Trustee, be deposited in the Bond Fund and all moneys so deposited in the Bond Fund shall be applied in the following order:

(a) To the payment of the Principal of, premium, if any, and interest then due and payable on the Bonds and the Security Instrument Repayment Obligations as follows:

(i) Unless the Principal of all the Bonds shall have become due and payable, all such moneys shall be applied:

FIRST—To the payment to the persons entitled thereto of all installments of interest then due on the Bonds and the interest component of any Security Instrument Repayment Obligations then due, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

SECOND—To the payment to the persons entitled thereto of the unpaid Principal of and premium, if any, on the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, and the principal component of any Security Instrument Repayment Obligations then due, and, if the amount available shall not be sufficient to pay in full all the Bonds and the principal component of any Security Instrument Repayment Obligations due on any particular date, then to the payment ratably, according to the amount of Principal due on such date, to the persons entitled thereto without any discrimination or privilege.

(ii) If the principal of all the Bonds shall have become due and payable, all such moneys shall be applied to the payment of the Principal and interest then due and unpaid upon the Bonds and Security Instrument Repayment Obligations, 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, or of any Bond or Security Instrument Repayment Obligation over any other Bond or Security Instrument Repayment Obligation, ratably, according to the amounts due respectively for Principal and interest, to the persons entitled thereto without any discrimination or privilege.

(iii) To the payment of all obligations owed to all Reserve Instrument Providers, ratably, according to the amounts due without any discrimination or preference under any applicable agreement related to any Reserve Instrument Agreement.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amounts of such moneys available for such application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of Principal paid on such dates shall cease to accrue.

#### Remedies Vested in Trustee

All rights of action (including the right to file proof of claims) under the Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings related thereto and any such suit or proceedings instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Registered Owners of the Outstanding Bonds, and any recovery of judgment shall be for the equal benefit of the Registered Owners of the Outstanding Bonds.

#### Rights and Remedies of Registered Owners

Except as provided in the last sentence of this Section, no Registered Owner of any Bond or Security Instrument Issuer shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust thereof or for the appointment of a receiver or any other remedy under the Indenture, unless an Event of Default has occurred of which the Trustee has been notified or it is deemed to have notice, nor unless also Registered Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding or Security Instrument Issuers at the time providing Security Instruments which are in full force and effect and are not in default on any payment obligation and which secure not less than 25% in aggregate principal amount of Bonds at the time Outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name, nor unless also they have offered to the Trustee indemnity as provided in the Indenture nor unless the Trustee shall thereafter fail or refuse to exercise the powers granted in the

Indenture, or to institute such action, suit or proceeding in its own name or names. Such notification, request and offer of indemnity are declared by the Indenture in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trust of the Indenture, and to any action or cause of action for the enforcement of the Indenture, or for the appointment of a receiver or for any other remedy under the Indenture; it being understood and intended that no one or more Registered Owner of the Bonds or Security Instrument Issuer shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Indenture by its action or to enforce any right under the Indenture except in the manner provided in the Indenture, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of the Registered Owners of all Bonds then Outstanding and all Security Instrument Issuers at the time providing Security Instruments. Nothing contained in the Indenture shall, however, affect or impair the right of any Registered Owner or Security Instrument Issuer to enforce the covenants of the Issuer to pay the principal of, premium, if any, and interest on each of the Bonds issued under the Indenture held by such Registered Owner and Security Instrument Repayment Obligations at the time, place, from the source and in the manner in said Bonds or Security Instrument Repayment Obligations expressed.

#### Termination of Proceedings

In case the Trustee, any Registered Owner or any Security Instrument Issuer shall have proceeded to enforce any right under the Indenture by the appointment of a receiver, or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, the Registered Owner, or Security Instrument Issuer, then and in every such case the Issuer and the Trustee shall be restored to their former positions and rights under the Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

#### Waivers of Events of Default

Subject to "THE TRUSTEE—Notice," the Trustee may in its discretion, and with the prior written consent of all Security Instrument Issuers at the time providing Security Instruments, waive any Event of Default under the Indenture and its consequences and shall do so upon the written request of the Registered Owners of (a) a majority in aggregate Principal amount of all the Bonds then Outstanding or Security Instrument Issuers at the time providing Security Instruments which are in full force and effect and are not in default on any payment obligation and which secure not less than 50% in aggregate Principal amount of Bonds at the time Outstanding in respect of which an Event of Default in the payment of principal and interest exist, or (b) a majority in aggregate principal amount of the Bonds then Outstanding or Security Instrument Issuers at the time providing Security Instruments which are in full force and effect and are not in default on any payment obligation and which secure not less than 50% in aggregate Principal amount of Bonds at the time Outstanding in the case of any other Event of Default; provided, however, that there shall not be waived (i) any default in the payment of the principal of any Bonds at the date that a Principal Installment is due, or (ii) any default in the payment when due of the interest on any such Bonds, unless prior to such waiver or rescission, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds in respect of which such Event of Default shall have occurred on overdue installments of interest and all arrears of payments of principal and premium, if any, when due and all expenses of the Trustee, in connection with such Event of Default shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case the Issuer, the Trustee, the Registered Owners and the Security Instrument Issuers shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default, or impair any right consequent thereon.

#### **The Trustee**

##### Notice

The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default under the Indenture, except an Event of Default described in paragraphs (a) and (b) under the heading "EVENTS OF DEFAULT; REMEDIES—Events of Default," unless the Trustee shall be specifically notified in writing of such Default by the Issuer, a Security Instrument Issuer or by the Registered Owners of at least 25% in the aggregate



principal amount of any Series of the Bonds then Outstanding and all notices or other instruments required to be delivered to the Trustee must, in order to be effective, be delivered at the Principal Corporate Trust Office of the Trustee, and in the absence of such notice so delivered, the Trustee may conclusively assume there is no Event of Default except as aforesaid.

#### Indemnity

The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request, order or direction of any of the Registered Owners, Security Instrument Issuers or Reserve Instrument Providers, pursuant to the provisions of the Indenture, unless such Registered Owners, Security Instrument Issuers or Reserve Instrument Providers shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby.

#### Fees, Charges and Expenses of Trustee

The Trustee shall be entitled to payment and/or reimbursement for reasonable fees for its services rendered as Trustee under the Indenture and all advances, counsel fees, and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. The Trustee shall be entitled to payment and reimbursement for the reasonable fees and charges of the Trustee as Paying Agent and Registrar for the Bonds as provided in the Indenture. Upon an Event of Default, but only upon an Event of Default, the Trustee shall have a right of payment prior to payment on account of interest or principal of, or premium, if any, on any Bond for the foregoing advances, fees, costs and expenses incurred. The Trustee's rights under this Section will not terminate upon its resignation or removal or upon payment of the Bonds and discharge of the Indenture.

#### Notice to Registered Owners if Event of Default Occurs

If an Event of Default occurs of which the Trustee is required to take notice or if notice of an Event of Default be given to the Trustee as provided in the Indenture, then the Trustee shall give written notice thereof by certified mail to all Security Instrument Issuers, Reserve Instrument Providers, or to Registered Owners of all Bonds then Outstanding shown on the Register kept by the Registrar for the Bonds.

#### Removal of the Trustee

The Trustee may be removed at any time, by an instrument or concurrent instruments (i) in writing delivered to the Trustee, and signed by the Issuer, unless there exists any Event of Default, or (ii) in writing delivered to the Trustee and the Issuer, and signed by the Registered Owners of not less than 50% in aggregate Principal amount of Bonds then Outstanding if an Event of Default exists; provided that such instrument or instruments concurrently appoint a successor Trustee meeting the qualifications set forth in the Indenture.

#### Appointment of Successor Trustee: Temporary Trustee

In case the Trustee under the Indenture shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting under the Indenture, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the Issuer (or, if an Event of Default exists, by the Registered Owners of not less than 50% in aggregate principal amount of Bonds then Outstanding, by an instrument or concurrent instruments in writing signed by such Owners, or by their attorneys in fact, duly authorized; provided, nevertheless, that in case of such vacancy the Issuer by an instrument executed by an Authorized Representative under its seal, may appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed by the Registered Owners in the manner above provided; and any such temporary Trustee so appointed by the Issuer shall immediately and without further act be superseded by the Trustee so appointed by such Registered Owners). Every successor Trustee appointed pursuant to the provisions of this Section or otherwise shall be a trust company or bank in good standing having a reported capital and surplus of not less than \$50,000,000.

#### Annual Accounting

The Trustee shall prepare an annual accounting for each Bond Fund Year by the end of the month following each such Bond Fund Year showing in reasonable detail all financial transactions relating to the funds and accounts held by the Trustee under the Indenture during the accounting period and the balance in any funds or accounts created by the Indenture as of the beginning and close of such accounting period, and shall mail the same to the Issuer, and to each Security Instrument Provider and Reserve Instrument Provider requesting the same. The Trustee shall also make available for inspection by any Registered Owner a copy of said annual accounting (with the names and addresses of Registered Owners receiving payment of debt service on the Bonds deleted therefrom) and shall mail the same if requested in writing to do so by Registered Owners of not less than 25% in aggregate principal amount of Bonds then Outstanding to the designee of said Owners specified in said written request at the address designated in the Indenture. On or before the end of the month following each Bond Fund Year, the Trustee shall, upon written request, provide to the Issuer and the Issuer's independent auditor representations as to the accuracy of the facts contained in the financial reports concerning the transactions described in the Indenture that were delivered by the Trustee during the Bond Fund Year just ended.

#### Trustee's Right to Own and Deal in Bonds

The bank or trust company acting as Trustee under the Indenture, and its directors, officers, employees or agents, may in good faith buy, sell, own, hold and deal in any of the Bonds issued under and secured by the Indenture, and may join in any action which any Bondholder may be entitled to take with like effect as if such bank or trust company were not the Trustee under the Indenture.

#### **Supplemental Indentures**

##### Supplemental Indentures Not Requiring Consent of Registered Owners, Security Instrument Issuers and Reserve Instrument Providers

The Issuer and the Trustee may, without the consent of, or notice to, any of the Registered Owners, Reserve Instrument Providers or Security Instrument Issuers, enter into an indenture or indentures supplemental to the Indenture, as shall not be inconsistent with the terms and provisions of the Indenture, for any one or more of the following purposes:

- (a) To provide for the issuance of Initial Bonds, Construction Bonds, Refunding Bonds, and Bond Anticipation Notes in accordance with the Indenture;
- (b) To cure any ambiguity or formal defect or omission herein;
- (c) To grant to or confer upon the Trustee for the benefit of the Registered Owners, any Security Instrument Issuers and any Reserve Instrument Providers any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon them and which shall not adversely affect the interests of any Reserve Instrument Providers or Security Instrument Issuers without their consent;
- (d) To subject to the Indenture or other revenues, properties, collateral or security;
- (e) To provide for the issuance of the Bonds pursuant to a book-entry system or as uncertificated registered public obligations pursuant to the provisions of the Registered Public Obligations Act, Title 15, Chapter 7 of the Utah Code, or any successor provisions of law;
- (f) To make any change which shall not materially adversely affect the rights or interests of the Owners of any Outstanding Bonds, any Security Instrument Issuer or any Reserve Instrument Provider, requested or approved by a Rating Agency in order to obtain or maintain any rating on the Bonds or requested or approved by a Security Instrument Issuer or Reserve Instrument Provider in order to insure or provide other security for any Bonds;
- (g) To make any change necessary (i) to establish or maintain the excludability from gross income for federal income tax purposes of interest payable on the Bonds as a result of any modifications or amendments to Section 148 of the Code or interpretations by the Internal Revenue Service thereof or of regulations proposed or



promulgated thereunder, or (ii) to comply with the provisions of Section 148(f) of the Code, including provisions for the payment of all or a portion of the investment earnings of any of the funds established under the Indenture to the United States of America;

(h) If the Bonds affected by any change are rated by a Rating Agency, to make any change which does not result in a reduction of the rating applicable to any of the Bonds so affected, provided that if any of the Bonds so affected are secured by a Security Instrument, such change must be approved in writing by the related Security Instrument Issuer;

(i) If the Bonds affected by any change are secured by a Security Instrument, to make any change approved in writing by the related Security Instrument Issuer, provided that if any of the Bonds so affected are rated by a Rating Agency, such change shall not result in a reduction of the rating applicable to any of the Bonds so affected;

(j) Unless otherwise provided by a Supplemental Indenture authorizing a Series of Bonds, the designation of the facilities to constitute a Project by such Supplemental Indenture may be modified or amended if the Issuer delivers to the Trustee (1) a Supplemental Indenture designating the facilities to comprise the Project, (2) an opinion of bond counsel to the effect that such amendment will not adversely affect the excludability from gross income for federal income tax purposes of interest payable on the Bonds (if applicable) or validity of the Bonds and (3) a certificate of the Issuer to the effect that such amendment will not adversely affect the Issuer's ability to comply with the provisions of the Indenture; and

(k) To correct any references contained herein to provisions of the Act, the Code or other applicable provisions of law that have been amended so that the references herein are correct.

#### Supplemental Indentures Requiring Consent of Registered Owners and Reserve Instrument Providers; Waivers and Consents by Registered Owners

Exclusive of Supplemental Indentures covered above and subject to the terms and provisions contained in this Section, and not otherwise, the Registered Owners of not less than 66 2/3% in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained herein to the contrary notwithstanding, to (i) consent to and approve the execution by the Issuer and the Trustee of Supplemental Indentures as shall be deemed necessary and desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any other Supplemental Indenture, or (ii) waive or consent to the taking by the Issuer of any action prohibited, or the omission by the Issuer of the taking of any action required, by any of the provisions of the Indenture or of any Supplemental Indenture; provided, however, that nothing in this Section shall permit or be construed as permitting (a) an extension of the date that a Principal Installment is due at maturity or mandatory redemption or reduction in the principal amount of, or reduction in the rate of or extension of the time of paying of interest on, or reduction of any premium payable on the redemption of, any Bond, without the consent of the Registered Owner of such Bond, or (b) a reduction in the amount or extension of the time of any payment required by any fund established under the Indenture applicable to any Bonds without the consent of the Registered Owners of Bonds which would be affected by the action to be taken, or (c) a reduction in the aforesaid aggregate principal amount of the Bonds, the Registered Owners of which are required to consent to any such waiver or Supplemental Indenture, or (d) affect the rights of the Registered Owners of less than all Bonds then outstanding, without the consent of the Registered Owners of Bonds then Outstanding which would be affected by the action to be taken. In addition, no Supplemental Indenture to the Indenture shall modify the rights, duties or immunities of the Trustee, without the written consent of the Trustee. If a Security Instrument or a Reserve Instrument is in effect with respect to any Series of Bonds Outstanding and if a proposed modification or amendment would affect such Series of Bonds, then, except as provided in the section above, neither the Indenture nor any Supplemental Indenture with respect to such Series of Bonds shall be modified or amended at any time without the prior written consent of the related Security Instrument Issuer or Reserve Instrument Provider, as applicable.

## Discharge of Indenture

If the Issuer shall pay or cause to be paid, or there shall be otherwise paid or provision for payment made, to or for the Registered Owners of the Bonds, the Principal of and interest due or to become due thereon at the times and in the manner stipulated therein, and shall pay or cause to be paid to the Trustee all sums of moneys due or to become due according to the provisions of the Indenture, and to all Security Instrument Issuers and all Reserve Instrument Providers all sums of money due or to become due according to the provisions of any Security Instrument Agreements, Reserve Instrument Agreements, as applicable, then the presents and the estate and rights granted by the Indenture shall cease, terminate and be void, whereupon the Trustee shall cancel and discharge the lien of the Indenture, and release, assign and deliver unto the Issuer any and all the estate, right, title and interest in and to any and all rights assigned or pledged to the Trustee, held by the Trustee, or otherwise subject to the lien of the Indenture, except moneys or securities held by the Trustee for the payment of the Principal of and interest on the Bonds, the payment of amounts pursuant to any Security Instrument Agreements or the payment of amounts pursuant to any Reserve Instrument Agreements.

Any Bond shall be deemed to be paid within the meaning of the Indenture when payment of the Principal of such Bond, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption as provided in the Indenture, or otherwise), either (a) shall have been made or caused to have been made in accordance with the terms thereof, or (b) shall have been provided by irrevocably depositing with or for the benefit of the Trustee, in trust and irrevocably setting aside exclusively for such payment, (i) moneys sufficient to make such payment, or (ii) Direct Obligations, maturing as to Principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, and all necessary and proper fees, compensation and expenses of the Trustee and any Paying Agent pertaining to the Bond with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such times as a Bond shall be deemed to be paid under the Indenture, as aforesaid, it shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or Direct Obligations.

Notwithstanding the foregoing, in the case of Bonds, which by their terms may be redeemed prior to their stated maturity, no deposit under the immediately preceding Paragraph shall be deemed a payment of such Bonds as aforesaid until the Issuer shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions:

(a) stating the date when the Principal of each such Bond is to be paid, whether at maturity or on a redemption date (which shall be any redemption date permitted by the Indenture);

(b) directing the Trustee to call for redemption pursuant to the Indenture any Bonds to be redeemed prior to maturity pursuant to the provisions of the Indenture; and

(c) if the Bonds to be redeemed will not be redeemed within ninety days of such deposit, directing the Trustee to mail, as soon as practicable, in the manner prescribed by the Indenture, a notice to the Registered Owners of such Bonds and to each related Security Instrument Issuer that the deposit required by the Indenture has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the Indenture and stating the maturity or redemption date upon which moneys are to be available for the payment of the Principal or redemption price, if applicable, on said Bonds as specified in Subparagraph (a) above.

Any moneys so deposited with the Trustee as provided in the Indenture may at the direction of the Issuer also be invested and reinvested in Direct Obligations, maturing in the amounts and times as set forth in the Indenture, and all income from all Direct Obligations in the hands of the Trustee pursuant to the Indenture which is not required for the payment of the Bonds and interest thereon with respect to which such moneys shall have been so deposited, shall be deposited in the Bond Fund as and when realized and collected for use and application as are other moneys deposited in that fund; provided, however, that before any excess moneys shall be deposited in the Bond Fund, the Trustee shall first obtain a written verification from a certified public accountant that the moneys remaining on deposit with the Trustee and invested in Direct Obligations after such transfer to the Bond Fund shall be sufficient in amount to pay Principal and interest on the Bonds when due and payable.

No such deposit under the Indenture shall be made or accepted under the Indenture and no use made of any such deposit unless the Trustee shall have received an opinion of nationally recognized municipal bond counsel to the effect that such deposit and use would not cause any tax-exempt Bonds to be treated as arbitrage bonds within the meaning of the Code or the Regulations proposed or promulgated thereunder.

Notwithstanding any provision of any other Article of the Indenture which may be contrary to the provisions of the Indenture, all moneys or Direct Obligations set aside and held in trust pursuant to the provisions of the Indenture for the payment of Bonds (including interest thereon) shall be applied to and used solely for the payment of the particular Bonds (including interest thereon) with respect to which such moneys or Direct Obligations have been so set aside in trust.

Anything in the Indenture to the contrary notwithstanding, if moneys or Direct Obligations have been deposited or set aside with the Trustee pursuant to the Indenture for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment to the provisions of the Indenture shall be made without the consent of the Registered Owner of each Bond affected thereby.

**APPENDIX C**

**ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING  
THE CITY AND UTAH COUNTY**

**THE CITY**

**Population**

<u>Year</u>	<u>Population</u>	<u>Percent Change</u>
2016 Estimate	29,202	6.97%
2015 Estimate	27,299	4.51
2014 Estimate	26,121	5.63
2013 Estimate	24,728	4.26
2012 Estimate	23,718	2.20
2011 Estimate	23,207	8.37
2010 Census	21,415	—

Note: The 2010 Census is as of April 1, 2010; the annual population estimates are as of July 1 of the year given.  
(Source: U.S. Census Bureau.)

**Construction Activity**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
New Dwelling Units	467	323	490	266	235
New Residential Value (\$000)	\$97,652.3	\$62,942.3	\$265,548.9	\$52,543.3	\$42,363.2
New Nonresidential Value (\$000)	9,142.6	1,054.4	9,084.1	6,386.0	4,442.4
Additions/Alterations/Repairs Residential Value (\$000)	354.3	30.0	580.5	207.6	276.5
Additions/Alterations/Repairs Nonresidential Value (\$000)	—	—	318.5	158.0	—
Total Construction (\$000)	<u>107,149.2</u>	<u>64,026.7</u>	<u>275,532.0</u>	<u>59,294.9</u>	<u>47,082.1</u>

(Source: Ivory-Boyer Construction Database, Kem C. Gardner Policy Institute, University of Utah.)

## UTAH COUNTY

### General

Utah County (the "County") is situated in the north central portion of the State. Incorporated in 1850, the County is bordered on the north by Salt Lake County and encompasses approximately 2,000 square miles of land.

### Population

<u>Year</u>	<u>County</u>	<u>% Change</u>	<u>State of Utah</u>	<u>% Change</u>
2016	592,299	3.0%	3,051,217	2.0%
2015	574,796	2.4	2,990,632	1.7
2014	561,232	1.6	2,941,836	1.3
2013	552,386	2.3	2,902,663	1.6
2012	540,170	1.8	2,855,782	1.4
2011	530,678	2.7	2,816,124	1.9
2010 Census	516,564	40.2	2,763,885	23.8
2000 Census	368,536	39.8	2,233,169	29.6
1990 Census	263,590	20.9	1,722,850	17.9

(Source: U.S. Census Bureau (estimates as of July 1 for years 2011-2017).)

### Rate of Unemployment—Annual Average

<u>Year</u>	<u>County</u>	<u>State of Utah</u>	<u>United States</u>
2017*	2.9%*	3.2%*	4.1%*
2016	3.0	3.4	4.9
2015	3.2	3.5	5.3
2014	3.5	3.8	6.2
2013	4.2	4.6	7.4
2012	5.0	5.4	8.1
2011	6.3	6.8	8.9
2010	7.4	7.8	9.6
2009	7.0	7.3	9.3
2008	3.5	3.6	5.8
2007	2.4	2.6	4.6

\* As of November 2017 only; seasonally adjusted.

(Source: Utah Department of Workforce Services, and U.S. Bureau of Labor Statistics.)



## Economic Indicators of the County

<u>LABOR FORCE</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Labor Force	279,346	266,078	255,870	249,399	239,088
Employed	270,835	257,594	246,942	238,806	227,084
Unemployed	8,511	8,484	8,928	10,593	12,004
Rate	3.00%	3.20%	3.50%	4.20%	5.00%
Average Employment	232,925	220,930	207,867	199,368	189,329
% Change Prior Year	5.43	6.28	4.26	5.30	—
<i>Average Employment by Sector:</i>					
Agriculture, Forestry, Fishing & Hunting	1,209	1,166	1,159	1,143	1,155
Mining	72	88	111	103	126
Utilities	682	604	598	579	594
Construction	21,255	18,689	16,422	14,887	12,562
Manufacturing	17,611	17,646	17,773	17,476	16,540
Wholesale Trade	6,408	6,716	6,222	5,611	5,206
Retail Trade	29,911	28,137	25,441	24,313	23,172
Transportation and Warehousing	4,529	4,283	3,993	3,837	3,814
Information	11,180	10,209	9,348	8,884	8,144
Finance and Insurance	5,010	4,881	4,509	4,571	4,306
Real Estate, Rental and Leasing	2,618	2,356	2,306	2,254	2,028
Professional, Scientific and Technical Services	17,335	16,476	15,284	13,916	12,706
Management of Companies and Enterprises	1,409	1,191	1,239	1,059	1,128
Admin., Support, Waste Mgmt, Remediation	13,323	12,388	11,242	11,096	11,004
Education Services	41,561	40,049	39,137	38,767	38,443
Health Care and Social Assistance	27,543	26,292	24,934	24,137	22,795
Arts, Entertainment, and Recreation	4,460	4,249	3,883	3,544	3,516
Accommodation and Food Services	16,770	15,799	14,793	13,934	12,978
Other Services	5,215	4,979	4,774	4,626	4,428
Public Administration	6,031	5,889	5,850	5,769	5,831
Unclassified Establishments	6	—	—	8	—
Total Establishments	14,929	14,276	13,663	13,221	12,476
Total Wages (\$Millions)	\$9,404.8	\$8,702.6	\$7,874.3	\$7,464.4	\$6,922.2
<u>INCOME AND WAGES</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total Personal Income (\$000)	\$21,540,346	\$20,000,678	\$18,270,108	\$16,822,234	\$15,985,403
Median Household Income	n/a	65,425	60,957	60,069	58,167
Per Capita Income	36,215	34,796	32,554	30,454	29,593
Average Monthly Nonfarm Wage	3,365	3,283	3,157	3,099	2,345
<u>SALES AND BUILDING</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Gross Taxable Sales (\$M)	\$8,679.1	\$8,151.1	\$7,555.1	\$7,186.9	\$6,886.1
Dwelling Unit Permits	3,988	4,476	5,208	3,247	2,464
Total Permit					
Authorized Construction (\$M)	2,091,570.7	1,923,746.4	1,438,103.1	1,265,068.7	835,662.1
New Residential Const. (\$M)	968,083.0	1,242,972.3	909,842.7	692,579.8	535,004.3
New Nonresidential Const. (\$M)	901,707.9	451,452.0	359,438.5	360,620.5	171,904.0

(Sources: Utah Department of Workforce Services; U.S. Department of Commerce, Bureau of Economic Analysis.)

## Major Employers

The following is a list of the largest employers in the County based on 2016 annual averages.

<u>Company</u>	<u>Industry</u>	<u>Average Annual Employment</u>
Brigham Young University	Colleges, Universities, and Professional Schools	15,000-19,999
Alpine School District	Elementary and Secondary Schools	7,000-9,999
Utah Valley University	Colleges, Universities, and Professional Schools	5,000-6,999
Utah Valley Regional Medical Center	General Medical and Surgical Hospitals	5,000-6,999
Vivint	Building Equipment Contractors	3,000-3,999
Nebo School District	Elementary and Secondary Schools	3,000-3,999
Wal-Mart	Other General Merchandise Stores	2,000-2,999
State of Utah	Justice, Public Order, and Safety Activities	2,000-2,999
Smiths Food And Drug	Grocery Stores	1,000-1,999
Central Utah Medical Clinic	Offices of Physicians	1,000-1,999
Nestle Prepared Foods Company	Fruit & Vegetable Preserving & Specialty Food Manufacturing	1,000-1,999
Adobe Systems	Software Publishers	1,000-1,999
Young Living Essential Oils	Direct Selling Establishments	1,000-1,999
Nexeo Staffing	Employment Services	1,000-1,999
IM Flash Technologies	Semiconductor & Other Electronic Component Manufacturing	1,000-1,999
Doterra International	Direct Selling Establishments	1,000-1,999
Provo City	Executive, Legislative, and Other General Government Support	1,000-1,999
Utah County	Administration of Economic Program	1,000-1,999
Provo City School District	Elementary and Secondary Schools	1,000-1,999
Maceys	Grocery Stores	500-999
UHS Of Provo Canyon	Elementary and Secondary Schools	500-999
Costco	Other General Merchandise Stores	500-999
Ancestry.Com	Other Information Services	500-999
Nu Skin International	Drugs and Druggists' Sundries Merchant Wholesalers	500-999
Xactware Solutions	Computer Systems Design and Related Services	500-999
Sundance Resort	Traveler Accommodation	500-999
The Home Depot	Building Material and Supplies Dealers	500-999
Citizens Telecommunications	Wired Telecommunications Carriers	500-999
Domo	Software Publishers	500-999
Chrysalis Utah	Individual and Family Services	500-999
Nu Skin	Drugs and Druggists' Sundries Merchant Wholesalers	500-999
Solutionreach	Computer Systems Design and Related Services	500-999
Timpanogos Regional Medical Service	General Medical and Surgical Hospitals	500-999
Entrata	Data Processing, Hosting, and Related Services	500-999
Ash Construction	Foundation, Structure, and Building Exterior Contractors	500-999
Mirage Landscaping	Services to Buildings and Dwellings	500-999
Press Media	Printing and Related Support Activities	500-999
Cedar Fort	Newspaper, Periodical, Book, and Directory Publishers	500-999
SOS Staffing Services	Employment Services	500-999
Vivint Solar	Building Equipment Contractors	500-999
Magnum Manufacturing Corp	Cement and Concrete Product Manufacturing	500-999
Bluehost.Com	Data Processing, Hosting, and Related Services	500-999
Qualtrics	Other Professional, Scientific, and Technical Services	500-999
U.S. Postal Service	Postal Service	500-999
Lehi City	Executive, Legislative, and Other General Government Support	500-999
Orem City	Executive, Legislative, and Other General Government Support	500-999

(Source: Utah Department of Workforce Services; based on 2016 average annual employment; last updated August 2017.)

## APPENDIX D

### FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking"), is executed and delivered by Eagle Mountain City, Utah (the "City"), in connection with the issuance by the City of its Water and Sewer Revenue Refunding Bonds, Series 2018A (the "Series 2018A Bonds"). The Series 2018A Bonds are being issued pursuant to a General Indenture of Trust dated as of July 1, 2007 (the "General Indenture") as heretofore supplemented, and a Fifth Supplemental Indenture of Trust dated as of March 1, 2018 (the "Fifth Supplemental Indenture" and together with the General Indenture, the "Indenture") each between the City and U.S. Bank National Association, as trustee. The City hereby acknowledges that it is an "obligated person" within the meaning of the hereinafter defined Rule. In connection with the aforementioned transactions, the City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the City for the benefit of the Bondholders and Beneficial Owners of the Series 2018A Bonds and in order to assist the Participating Underwriter in complying with the Rule (each as defined below).

Section 2. Definitions. In addition to the definitions set forth in the Indenture or parenthetically defined herein, which apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report of the City" means the Annual Report of the City provided by the City pursuant to, and as described in Sections 3 and 4 of this Disclosure Undertaking.

"Beneficial Owner" shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2018A Bonds (including persons holding Series 2018A Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean the City, acting in its capacity as Dissemination Agent hereunder, or any of its successors or assigns.

"Listed Events" shall mean any of the events listed in Section 5 of this Disclosure Undertaking.

"MSRB" shall mean the Municipal Securities Rulemaking Board, the address of which is 1300 I Street, NW, Suite 1000, Washington DC 20005-3314; Telephone (202) 838-1500; Fax (202) 898-1500, and the website address of which is [www.msrb.org](http://www.msrb.org) and [www.msrb.emma.org](http://www.msrb.emma.org) (for municipal disclosures and market data).

"Official Statement" shall mean the Official Statement of the Issuer dated \_\_\_\_\_, 2018, relating to the Series 2018A Bonds.

"Participating Underwriter" shall mean George K. Baum & Company, as original underwriter of the Series 2018A Bonds.

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

Section 3. Provision of Annual Reports.

(a) The City shall prepare an Annual Report of the City and shall, or shall cause the Dissemination Agent to, not later than December 31 immediately following the end of each fiscal year of the City (presently June 30), commencing with the fiscal year ended June 30, 2018, provide to the MSRB in electronic format an Annual Report of the City which is consistent with the requirements of Section 4 of this Disclosure Undertaking. Not later than fifteen (15) business days prior to said date, the City shall provide the Annual Report of the City to the Dissemination Agent. In each case, the Annual Report of the City may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4

of this Disclosure Undertaking; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for Listed Event under Section 5(e).

(b) If by fifteen (15) business days prior to the date specified in subsection (a) for providing the Annual Report of the City to the MSRB, the Dissemination Agent has not received a copy of the Annual Report of the City, the Dissemination Agent shall contact the City to determine if the City is in compliance with Section 3(a).

(c) If the Dissemination Agent is unable to verify that the Annual Report of the City has been provided to the MSRB by the dates required in subsections (a) and (b), the Dissemination Agent shall, in a timely manner, send a notice to the MSRB in electronic format.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the website address to which the MSRB directs the annual reports to be submitted; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Undertaking, stating the date it was provided and listing the website address to which it was provided.

Section 4. Content of Annual Reports. The Annual Report of the City shall contain or incorporate by reference the following:

(i) A copy of its annual financial statements prepared in accordance with generally accepted accounting principles and audited by a certified public accountant or a firm of certified public accounts. If the City's audited annual financial statements are not available by the time specified in Section 3(a) above, unaudited financial statements will be provided as part of the Annual Report of the City and audited financial statements will be provided when and if available.

(ii) An update of the financial and operating information in the Official Statement relating to the City of the type contained in the tables under the headings: "THE SYSTEM—General," "—The Water System," "—The Sewer System," "—Capacity and Demand," ["—Impact Fees,"] "—Historic Operating Results," "—Historical and Pro Forma Debt Service Coverage," "—Management's Discussion and Analysis of Revenues," and "DEBT STRUCTURE OF THE CITY—Outstanding Municipal Debt of the City."

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City, as appropriate or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The City, as appropriate, shall clearly identify each such other document so incorporated by the reference.

Section 4. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5(a), the City shall give or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Series 2018A Bonds in a timely manner not more than ten (10) business days after the event:

(i) Principal and interest payment delinquencies;

(ii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iii) Unscheduled draws on credit enhancements reflecting financial difficulties;

- (iv) Substitution of credit or liquidity providers, or their failure to perform;
- (v) Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2018A Bonds or other material events affecting the tax status of the Series 2018A Bonds;
- (vi) Defeasances;
- (vii) Tender offers;
- (viii) Bankruptcy, insolvency, receivership or similar proceedings; or
- (ix) Rating changes.

(b) Pursuant to the provisions of this Section 5(b), the Issuer shall give or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Series 2018A Bonds in a timely manner not more than ten (10) business days after the Listed Event, if material:

- (i) Mergers, consolidations, acquisitions, the sale of all or substantially all of the assets of the obligated persons or their termination;
- (ii) Appointment of a successor or additional trustee or paying agent or the change of the name of a trustee or paying agent;
- (iii) Non-payment related defaults;
- (iv) Modifications to the rights of the owners of the Series 2018A Bonds;
- (v) Series 2018A Bond calls; or
- (vi) Release, substitution or sale of property securing repayment of the Series 2018A Bonds.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event under Section 5(b), whether because of a notice from the Trustee or otherwise, the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the City has determined that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the City shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If the City determines that the Listed Event under Section 5(b) would not be material under applicable federal securities laws, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB.

Section 5. Termination of Reporting Obligation. The City's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2018A Bonds. If such termination occurs prior to the final maturity of the Series 2018A Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(f).

Section 6. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge



any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The City will serve as the initial Dissemination Agent under this Disclosure Undertaking.

Section 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the City may amend this Disclosure Undertaking and any provision of this Disclosure Undertaking may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an “obligated person” (as defined in the Rule) with respect to the Series 2018A Bonds, or the type of business conducted;

(b) The Disclosure Undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2018A Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Series 2018A Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Series 2018A Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Undertaking, the City shall describe such amendment in the next Annual Report of the City, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City, as applicable. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under [Section 5(a)], and (ii) the Annual Disclosure Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 8. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Undertaking. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Undertaking, the City shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 9. Default. In the event of a failure of the City or the Dissemination Agent to comply with any provision of this Disclosure Undertaking, any Bondholder or Beneficial Owner of the Series 2018A Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an “event of default” under the Indenture, and the sole remedy under this Disclosure Undertaking in the event of any failure of the City or the Dissemination Agent to comply with this Disclosure Undertaking shall be an action to compel performance.

Section 10. Duties Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Undertaking, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys’ fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent’s gross negligence or willful misconduct. The

obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2018A Bonds.

Section 11. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the Holders and Beneficial Owners from time to time of the Series 2018A Bonds, and shall create no rights in any other person or entity.

Section 12. Counterparts. This Disclosure Undertaking may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Dated as of \_\_\_\_\_, 2018.

EAGLE MOUNTAIN CITY, UTAH

(SEAL)

By: \_\_\_\_\_  
Mayor

ATTEST:

By: \_\_\_\_\_  
City Recorder

## APPENDIX E

### FORM OF OPINION OF BOND COUNSEL

*Upon the issuance of the Series 2018A Bonds, Gilmore & Bell, P.C., Bond Counsel to the City, proposes to issue its approving opinion in substantially the following form:*

Re: \$ \_\_\_\_\_ Eagle Mountain City, Utah Water and Sewer Revenue Refunding Bonds, Series 2018A

We have acted as bond counsel to Eagle Mountain City, Utah (the "Issuer") in connection with the issuance by the Issuer of its \$ \_\_\_\_\_ Water and Sewer Revenue Refunding Bonds, Series 2018A (the "Series 2018A Bonds"). The Series 2018A Bonds are being issued pursuant to (a) resolutions of the Issuer adopted on October 17, 2017 and February 6, 2018, and (b) a General Indenture of Trust dated as of July 1, 2007 (the "General Indenture"), as heretofore supplemented and amended, and as further supplemented by the Fifth Supplemental Indenture of Trust dated as of March 1, 2018 (the "Fifth Supplemental Indenture" and collectively with the General Indenture, the "Indenture"), each between the Issuer and U.S. Bank National Association, as trustee.

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

Based on our examination and the foregoing, we are of the opinion as of the date hereof and under existing law, as follows:

1. The Indenture has been authorized, executed and delivered by the Issuer, constitutes a valid and binding obligation of the Issuer and creates a valid lien on the Net Revenues (as defined in the Indenture) and the other amounts pledged thereunder for the security of the Series 2018A Bonds.

2. The Series 2018A Bonds are valid and binding special obligations of the Issuer payable solely from the Net Revenues and other amounts pledged therefor in the Indenture, and the Series 2018A Bonds do not constitute a general obligation indebtedness of the Issuer within the meaning of any State of Utah constitutional provision or statutory limitation, nor a charge against the full faith and credit or taxing power of the Issuer.

3. The interest on the Series 2018A Bonds (including any original issue discount properly allocable to an owner thereof) (i) is excludable from gross income for federal income tax purposes and (ii) is not an item of tax preference for purposes of computing the federal alternative minimum tax. The opinions set forth in this paragraph are subject to the condition that the Issuer complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Series 2018A Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause the interest on the Series 2018A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2018A Bonds.

4. The Series 2018A Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

5. The interest on the Series 2018A Bonds is exempt State of Utah individual income taxes.

We express no opinion herein regarding the accuracy, completeness or sufficiency of the Official Statement or any other offering material relating to the Series 2018A Bonds.

The rights of the holders of the Series 2018A Bonds and the enforceability thereof and of the documents identified in this opinion may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium, and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent applicable, and their enforcement may be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases.

This opinion is given as of its date, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law that may occur after the date of this opinion.

Respectfully submitted,

## APPENDIX F

### PROVISIONS REGARDING BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2018A Bonds. The Series 2018A Bonds are to be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate is to be issued for each series of the Series 2018A Bonds, each in the aggregate principal amount of such series, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s rating of AA+. The DTC Rules applicable to its Direct Participants are on file with the Securities and Exchange Commission. Neither the City nor the Underwriter makes any representation about such information. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Series 2018A Bonds under the DTC system must be made by or through Direct Participants, which are to receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2018A Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2018A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2018A Bonds, except in the event that use of the book-entry system for the Series 2018A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2018A Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2018A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2018A Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2018A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2018A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2018A Bonds, such as redemptions, tenders, defaults, and



proposed amendments to the bond documents. For example, Beneficial Owners of Series 2018A Bonds may wish to ascertain that the nominee holding the Series 2018A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2018A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2018A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2018A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2018A Bonds are to be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct or Indirect Participants to Beneficial Owners are to be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct or Indirect Participant and not of DTC nor its nominee, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2018A Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, Series 2018A Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2018A Bond certificates will be printed and delivered to DTC.

*The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.*

EXHIBIT C

BOND PURCHASE AGREEMENT

(See Transcript Document No. \_\_\_\_\_)

BOND PURCHASE CONTRACT

\$ \_\_\_\_\_  
Eagle Mountain City, Utah  
Water and Sewer Revenue Refunding Bonds,  
Series 2018A

March \_\_\_\_\_, 2018

Eagle Mountain City  
1650 East Stagecoach Run  
Eagle Mountain, Utah 84005

The undersigned, George K. Baum & Company, as the underwriter of the hereinafter defined Series 2018A Bonds (the "Underwriter"), acting on behalf of the Underwriter and not as fiduciary or agent for you, offer to enter into this Bond Purchase Contract (the "Purchase Contract") with Eagle Mountain City, Utah (the "Issuer") which, upon the acceptance by the Issuer of this offer, shall be in full force and effect in accordance with its terms and shall be binding upon you and the Underwriter.

This offer is made subject to your acceptance and approval on or before 11:59 p.m. Utah Time, on the date hereof. Terms not otherwise defined herein shall have the same meanings as are set forth in the hereinafter referred to Official Statement.

ARTICLE I

SALE, PURCHASE AND DELIVERY

Section 1.1. (a) On the basis of the representations, warranties and agreements contained herein and upon the terms and conditions herein set forth, the Underwriter hereby agrees to purchase, and the Issuer hereby agrees to sell to the Underwriter, all, but not less than all, of the Issuer's \$ \_\_\_\_\_ aggregate principal amount of Water and Sewer Revenue Refunding Bonds, Series 2018A (the "Series 2018A Bonds"), at a purchase price of \$ \_\_\_\_\_ (representing the principal amount of the Series 2018A Bonds, [plus/less] a reoffering [premium/discount] of \$ \_\_\_\_\_ and less an Underwriter's discount of \$ \_\_\_\_\_) plus accrued interest, if any, from their dated date to the Closing Date (as hereinafter defined). The Series 2018A Bonds will mature on the dates and in the amounts and bear interest at the rates per annum as set forth in Schedule A hereto.

(b) The Series 2018A Bonds shall be as described in the Official Statement of the Issuer relating to the Series 2018A Bonds dated March \_\_\_\_\_, 2018, (together with all appendices thereto, the "Official Statement"), and shall be issued and secured under and pursuant to (i) the Utah Refunding Bond Act, Title 11, Chapter 27, Utah Code Annotated 1953, as amended (the "Act"), and other applicable provisions of law; (ii) a

General Indenture of Trust dated as of July 1, 2007 (the “General Indenture”), as heretofore supplemented and amended, and as further supplemented and amended by a Fifth Supplemental Indenture of Trust dated as of March 1, 2018 (the “Fifth Supplemental Indenture” and together with the General Indenture, the “Indenture”) each by and between the Issuer and U.S. Bank National Association, as trustee (the “Trustee”); and all as authorized pursuant to resolutions adopted by the City Council of the Issuer on October 17, 2017 and February 6, 2018 (together, the “Resolution”). The Series 2018A Bonds are payable from and secured solely by the Net Revenues (as defined in the Indenture). The Series 2018A Bonds are being issued pursuant to the Resolution, the Indenture, and the Act.

(c) The Issuer has previously issued and has outstanding under the Indenture its (i) Water and Sewer Revenue and Refunding Bonds, Series 2007 (the “Series 2007 Bonds”); (ii) Water and Sewer Revenue Bonds, Series 2008 (the “Series 2008 Bonds”); (iii) Water and Sewer Revenue Bonds, Series 2013 (the “Series 2013 Bonds”); and (iv) Water and Sewer Revenue Refunding Bonds, Series 2014 (the “Series 2014 Bonds”). A portion of the proceeds from the Series 2018A Bonds will be used to refund the outstanding the Series 2007 Bonds (the “Refunded Bonds”) on or about the date of issuance of the Series 2018A Bonds.

(d) The Series 2008 Bonds, Series 2013 Bonds, and Series 2014 Bonds (referred to collectively herein as the “Outstanding Parity Obligations”) are payable from and secured by a lien on the Net Revenues on a parity with the lien of the Series 2018A Bonds.

(e) The Series 2018A Bonds are being issued for the purpose of (i) refunding the Refunded Bonds and (ii) paying costs of issuance of the Series 2018A Bonds.

(f) The Indenture, the Series 2018A Bonds, the Resolution, the Continuing Disclosure Undertaking (defined below), and this Purchase Contract are sometimes referred to collectively herein as the “Transaction Documents.”

Section 1.2. The Underwriter will make an initial bona fide public offering of the Series 2018A Bonds at prices (or yields) not in excess of the initial public offering prices (or not lower than the yields) set forth in Schedule 1 attached hereto. The Underwriter may subsequently change such initial public offering prices (or yields), and hereby agrees to notify the Issuer of such changes, if such changes occur prior to the Closing (herein defined), but failure to so notify shall not invalidate such changes. The Underwriter also reserves the right (i) to engage in transactions that stabilize, maintain or otherwise affect the market prices of the Series 2018A Bonds and (ii) to discontinue such transactions, if commenced, at any time without prior notice.

Section 1.3. (a) For purposes of this Section the following definitions shall apply:

“Effective Time” means the time on the Sale Date that this Purchase Contract to purchase the Series 2018A Bonds becomes enforceable.

“Holding Period” means with respect to each Undersold Maturity the period beginning on the Sale Date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the Sale Date; or
- (2) the date and time at which the Purchaser has sold at least 10% of that Undersold Maturity of the Series 2018A Bonds to the Public at one or more prices that are no higher than the Initial Offering Price.

“Initial Offering Price” means the price listed on Schedule 1 for each Maturity.

“Maturity” means Series 2018A Bonds with the same credit and payment terms, Series 2018A Bonds with different maturity dates, or Series 2018A Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

“Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriting Firm or a related party to an Underwriting Firm. An Underwriting Firm and a person are related if it and the person are subject, directly or indirectly, to (A) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other.

“Purchaser,” in this Section means George K. Baum & Company.

“Sale Date” means the date of execution of this Purchase Contract.

“Undersold Maturity” or “Undersold Maturities” means any Maturity for which less than 10% of the principal amount of Series 2018A Bonds of that Maturity have been sold.

“Underwriting Firm” means (A) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2018A Bonds to the Public, and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) of this definition to participate in the initial sale of the Series 2018A Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Series 2018A Bonds to the Public).

- (b) The Purchaser represents and agrees as follows:



(i) As of the Effective Time all of the Series 2018A Bonds have been the subject of an initial offering to the Public.

(ii) As of the Effective Time none of the Series 2018A Bonds have been sold to any person at a price higher than the Initial Offering Price for that Maturity.

(iii) During the Holding Period each Underwriting Firm agrees it will not offer nor sell Series 2018A Bonds of an Undersold Maturity to the Public at a price that is higher than the respective Initial Offering Price for that Undersold Maturity.

(iv) Any separate agreement among any Underwriting Firm related to the sale of an Undersold Maturity during the Holding Period does or shall contain the agreement referenced in (iii) above.

(v) The Purchaser will assist the Issuer in establishing the issue price of the Series 2018A Bonds and shall execute and deliver to the Issuer at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Purchaser, the Issuer and Bond Counsel, to demonstrate, as applicable, the sales price or prices or the Initial Offering Price of the Series 2018A Bonds.

Section 1.4. (a) By acceptance and approval of this Purchase Contract, the Issuer hereby authorizes the use of copies of the Official Statement. The Issuer hereby agrees to provide to the Underwriter within seven (7) business days of the date hereof sufficient copies of the Official Statement to enable the Underwriter to comply with the requirements of paragraph (b)(4) of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), and with the requirements of Rule G-32 of the Municipal Securities Rulemaking Board. The Issuer has heretofore “deemed final” the Preliminary Official Statement dated February \_\_\_\_, 2018, and relating to the Series 2018A Bonds (the “Preliminary Official Statement”) for purposes of paragraph (b)(1) of Rule 15c2-12 and the Issuer acknowledges and ratifies the use by the Underwriter prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the Series 2018A Bonds.

(b) In order to assist the Underwriter in complying with paragraph (b)(5) of Rule 15c2-12, the Issuer will undertake, pursuant to a Continuing Disclosure Undertaking (the “Continuing Disclosure Undertaking”), to be dated as of the Closing Date to provide annual reports and notices of certain events. A form of the Continuing Disclosure Undertaking is set forth as Appendix D to the Preliminary Official Statement and will also be set forth as Appendix D to the Official Statement.

Section 1.5. At approximately 9:00 a.m., Utah time, on March [15], 2018, or on such later date as shall be agreed upon in writing by the Issuer and the Underwriter (the

“Closing Date”), the Issuer will cause the Series 2018A Bonds to be delivered to or for the account of the Underwriter in definitive form, duly executed and authenticated, at such place designated by the Underwriter and will deliver to the Underwriter the other documents herein mentioned at the offices of Bond Counsel, or such other location as may be mutually agreed upon by the Issuer and the Underwriter. The Underwriter will accept such delivery and pay the purchase price of the Series 2018A Bonds as set forth in paragraph 1.1(a) hereof by wire transfer, payable in federal funds or other immediately available funds to the order of the Trustee (such delivery and payment are herein called the “Closing”). The Series 2018A Bonds shall be initially issued in the form of one fully registered Bond for each maturity of the Series 2018A Bonds, shall be registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”), and shall be made available to DTC or its agent for the account of the Underwriter in New York, New York (or such other place designated by the Underwriter).

## ARTICLE II

### REPRESENTATIONS, WARRANTIES AND AGREEMENTS OF ISSUER

By its acceptance hereof, the Issuer represents and warrants to and covenants with the Underwriter that:

Section 2.1. The Issuer is a political subdivision and body politic duly organized and existing under the laws of the State of Utah with full power and authority to consummate the transactions contemplated by the Transaction Documents, including the execution, delivery and/or approval of all documents and agreements referred to herein or therein.

Section 2.2. The City Council of the Issuer has duly adopted the Resolution, has duly authorized and approved the execution and distribution of the Preliminary Official Statement and the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the Issuer of the obligations on its part contained in the Transaction Documents and, as of the Closing Date, each will be in full force and effect and, as of the Closing Date, neither the Resolution nor any of the Transaction Documents will have been amended, supplemented, rescinded, repealed or otherwise modified except with the approval of the Underwriter.

Section 2.3. The adoption of the Resolution, the execution and delivery of the Transaction Documents, the compliance by the Issuer with the provisions of any or all of the foregoing documents, and the application of the proceeds of the Series 2018A Bonds for the purposes described in the Official Statement do not and will not conflict with or result in the material breach of any of the terms, conditions or provisions of, or constitute a default under, any existing law, court or administrative regulation, decree or order, agreement, indenture, mortgage, lease or instrument to which the Issuer is a party or by which the Issuer or any of its property is or may be bound.

Section 2.4. The Issuer has duly authorized all necessary action to be taken by it for the adoption of the Resolution; the issuance and sale of the Series 2018A Bonds by the Issuer upon the terms and conditions set forth herein, in the Official Statement, and the Transaction Documents; and the execution, delivery and receipt of the Transaction Documents, and any and all such agreements, certificates and documents as may be required to be executed, delivered and received by the Issuer in order to carry out, effectuate and consummate the transactions contemplated hereby and by the Official Statement, including but not limited to such certifications as may be necessary to establish and preserve the excludability from gross income for federal income tax purposes of interest on the Series 2018A Bonds.

Section 2.5. Except as described in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or threatened against the Issuer or others (a) affecting the existence of the Issuer or the titles of its officers to their respective offices; (b) seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Series 2018A Bonds or the revenues or assets of the Issuer mortgaged, appropriated, encumbered or pledged pursuant to the Indenture; (c) in any way contesting or affecting the validity or enforceability of the Series 2018A Bonds or any of the Transaction Documents or the transactions contemplated thereby; (d) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement; or (e) contesting the powers of the Issuer or any authority for the issuance of the Series 2018A Bonds or the execution and delivery of any of the Transaction Documents.

Section 2.6. When delivered to and paid by the Underwriter at the Closing in accordance with the provisions of this Purchase Contract, the Series 2018A Bonds will have been duly authorized, executed, issued and delivered and will constitute valid and binding special limited obligations of the Issuer in conformity with, and entitled to the benefit and security of the Indenture on a parity with the Outstanding Parity Obligations.

Section 2.7. The Issuer is not in breach of or in default under any material existing law, court or administrative regulation, decree or order, ordinance, resolution, agreement, indenture, mortgage, lease, sublease or other instrument to which the Issuer is a party or by which the Issuer or its property is bound; and the execution and delivery of the Series 2018A Bonds, the Transaction Documents, and this Purchase Contract, and compliance with the provisions thereof, will not conflict with or constitute a material breach or a default under any law, administrative regulation, judgment, decree, loan agreement, mortgage, indenture, deed of trust, note, resolution, agreement or other instrument to which the Issuer or its property is or may be bound.

Section 2.8. No event has occurred or is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under the Transaction Documents, or which could have a material adverse effect on the financial condition of the Issuer, receipt by the Issuer of the Net Revenues, or the transactions contemplated by the Transaction Documents, or have a material adverse effect on the validity or enforceability in accordance with their respective terms of the Transaction Documents or this Purchase Contract or in any way adversely affect the

existence or any powers of the Issuer or the titles of its officers to their respective positions or the excludability from gross income for federal income tax purposes of interest on the Series 2018A Bonds.

Section 2.9. The information contained in the Preliminary Official Statement was, as of its date, and will be, as of the Closing Date, true and correct in all material respects. The Preliminary Official Statement does not contain, and the Official Statement, as of its date and as of the Closing Date, will not contain any untrue statement of a material fact, and the Preliminary Official Statement does not omit and the Official Statement, as of its date and as of the Closing Date, will not omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; provided, however, that this representation and warranty shall not be deemed to cover or apply to (x) information provided to the Issuer in writing by the Underwriter and included on the inside front cover page of the Preliminary Official Statement or the Official Statement regarding the principal amount, interest rates, maturities and initial public offering prices of the Series 2018A Bonds or (y) statements in the Preliminary Official Statement or the Official Statement under the captions [“THE SERIES 2018A BONDS—Book-Entry Only System,” “UNDERWRITER,” and “APPENDIX F.”]

Section 2.10. The Issuer will not take or omit to take any action which will in any way cause the proceeds from the sale of the Series 2018A Bonds to be applied or result in such proceeds being applied in a manner inconsistent with the Transaction Documents.

Section 2.11. The Issuer hereby authorizes the use of the Official Statement, including all amendments and supplements thereto, by the Underwriter in connection with the public offering and sale of the Series 2018A Bonds and consents to the use by the Underwriter prior to the date hereof of the Preliminary Official Statement in connection with the public offering and sale of the Series 2018A Bonds.

Section 2.12. The Issuer agrees to reasonably cooperate with the Underwriter in any endeavor to qualify the Series 2018A Bonds for offering and sale under the securities or “Blue Sky” laws of such jurisdictions of the United States as the Underwriter may request; provided, however, that the Issuer shall not be required with respect to the offer or sale of the Series 2018A Bonds to file written consent to suit or to file written consent to service of process in any jurisdiction. The Issuer hereby consents to the use of the Official Statement by the Underwriter in obtaining such qualification.

Section 2.13. If between the date of this Purchase Contract and 25 days following the “end of the underwriting period” (which the Issuer can assume is the Closing Date unless otherwise notified in writing by the Underwriter) any event shall occur which might or would cause the Official Statement to contain any untrue statement of a material fact or to omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstance under which they were made, not misleading, the Issuer shall notify the Underwriter and if, in the opinion of the Underwriter, such event requires the preparation and publication of a



supplement or amendment to the Official Statement, the Issuer will supplement or amend the Official Statement in a form and in a manner approved by the Underwriter. If the Official Statement is amended or supplemented subsequent to the date hereof and prior to the Closing, the Underwriter may terminate this Purchase Contract by notification to the Issuer at any time prior to the Closing if, in the reasonable judgment of the Underwriter, such amendment or supplement has or will have a material adverse effect on the marketability of the Series 2018A Bonds.

Section 2.14. When executed by the respective parties thereto, this Purchase Contract and the Transaction Documents will constitute legal, valid and binding obligations of the Issuer enforceable in accordance with their respective terms except that the rights and obligations under the Transaction Documents, and this Purchase Contract are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of Utah.

Section 2.15. The Issuer has complied, and will at the Closing be in compliance in all respects, with the obligations on its part contained in the Transaction Documents and this Purchase Contract and any and all other agreements relating thereto.

Section 2.16. Each representation, warranty or agreement stated in any certificate signed by any officer of the Issuer and delivered to the Underwriter at or before the Closing shall constitute a representation, warranty, or agreement by the Issuer upon which the Underwriter shall be entitled to rely.

Section 2.17. With the exception of the Refunded Bonds and the Outstanding Parity Obligations, the Issuer has not otherwise pledged or assigned the Net Revenues other than to secure and pay the Series 2018A Bonds and the Series 2018A Bonds enjoy a first lien and pledge on the Net Revenues on a parity with the Outstanding Parity Obligations. It should be noted that the Issuer plans to issue an additional Series of Bonds during the first half of calendar year 2018, which Bonds will be secured by a lien on the Net Revenues on a parity with the Series 2018A Bonds (the "2018B Bonds").

Section 2.18. The Issuer has never failed to pay principal and interest when due on any of its bonded indebtedness or other obligations nor has the Issuer ever failed to appropriate sufficient amounts to timely pay any of its lease obligations;

Section 2.19. The Issuer's audited financial statements as of, and for the year ended, June 30, 2017, copies of which have heretofore been delivered to the Underwriter, present fairly the financial position of the Issuer at June 30, 2017, and the results of its operations and changes in financial position for the years then ended; any other statements and data submitted in writing by the Issuer to the Underwriter in connection with this Purchase Contract are true and correct in all material respects as of their respective dates; except as described in the Official Statement and except as otherwise disclosed by the Issuer to the Underwriter, since June 30, 2017, there has been no material adverse change in the condition, financial or otherwise, of the Issuer from that



set forth in the audited financial statements as of and for the year ended that date, and the Issuer has not since June 30, 2017, incurred any material liabilities, directly or indirectly, whether or not arising in the ordinary course of its operations;

Section 2.20. Any instances of non-compliance by the Issuer within the last five years with each undertaking it has entered into pursuant to Rule 15c2-12, have been properly disclosed by the Issuer in the Preliminary Official Statement and the Official Statement.

Section 2.21. The Issuer will not take or omit to take any action that will in any way cause the proceeds from the sale of the Series 2018A Bonds to be applied or result in such proceeds being applied in a manner inconsistent the Indenture.

### ARTICLE III

#### UNDERWRITER'S CONDITIONS

Section 3.1. The Underwriter has entered into this Purchase Contract in reliance upon the performance by the Issuer of its obligations hereunder. The Underwriter's obligations under this Purchase Contract are and shall be subject to the following further conditions:

(a) At the time of Closing for the Series 2018A Bonds, (1) the Transaction Documents shall be in full force and effect and shall not have been revoked, rescinded, repealed, amended, modified or supplemented, except as therein permitted or as may have been agreed to in writing by the Underwriter, and (2) the Issuer shall have duly adopted and there shall be in full force and effect such resolutions and ordinances as, in the opinion of Gilmore & Bell, P.C., bond counsel to the Issuer ("Bond Counsel"), shall be necessary in connection with the transactions contemplated hereby.

(b) The Underwriter may terminate its obligations hereunder by written notice to the Issuer if, at any time subsequent to the date hereof and on or prior to the Closing Date:

(i) (A) Legislation shall have been enacted by the Congress, introduced in the Congress, or recommended to the Congress for passage by the President of the United States or the United States Department of the Treasury or the Internal Revenue Service or any member of the United States Congress, or favorably reported for passage to either House of Congress by any Committee of such House to which such legislation has been referred for consideration, or (B) a decision shall have been rendered by a court established under Article III of the Constitution of the United States, or the United States Tax Court, or (C) an order, ruling, regulation, or communication (including a press release) shall have been issued by the Treasury Department of the United States or the Internal Revenue Service or (D) any action shall be taken or statement made by or on behalf of the President of the United States or the Department of Treasury or the

Internal Revenue Service or any member of the United States Congress which indicates or implies that legislation will be introduced in the current or next scheduled session of the United States Congress, with the purpose or effect, directly or indirectly, of requiring the inclusion in gross income for federal income tax purposes of interest to be received by any owners of the Series 2018A Bonds; or

(ii) Legislation shall be enacted or any action shall be taken by the Securities and Exchange Commission which, in the opinion of the Underwriter, has the effect of requiring the offer or sale of the Series 2018A Bonds to be registered under the Securities Act or any other “security,” as defined in the Securities Act, issued in connection with or as part of the issuance of the Series 2018A Bonds to be so registered or the Indenture to be qualified as an indenture under the Trust Indenture Act of 1939, as amended; or any event shall have occurred or shall exist which, in the reasonable judgment of the Underwriter, makes or has made untrue or incorrect in any respect any statement or information contained in the Official Statement or is not or was not reflected in the Official Statement but should be or should have been reflected therein in order to make the statements or information contained therein not misleading in any material respect; or

(iii) In the reasonable judgment of the Underwriter, it is impractical or inadvisable for the Underwriter to market or sell or enforce agreements to sell Series 2018A Bonds because (A) trading in securities generally shall have been suspended on the New York Stock Exchange, Inc., or a general banking moratorium shall have been established by federal or the State of Utah authorities or a material disruption in commercial banking or securities settlement or clearance services shall have occurred, or (B) the State of Utah shall have taken any action, whether administrative, legislative, judicial or otherwise, which would have a material adverse effect on the marketing or sale of the Series 2018A Bonds, including any action relating to the tax status of the Series 2018A Bonds under federal or Utah law as set forth in the opinion of Bond Counsel attached as Appendix E to the Official Statement, or (C) the United States shall have become engaged in hostilities which have resulted in a declaration of war or a national emergency or there shall have occurred any other outbreak or escalation of hostilities or a national or international calamity or crisis, financial or otherwise; or (D) a war involving the United States of America shall have been declared or any other conflict involving the armed forces of the United States of America has escalated, in either case to such a magnitude as to materially adversely affect the Underwriter’s ability to market the Series 2018A Bonds; or (E) there shall have occurred the declaration of a general banking moratorium by any authority of the United States or the States of New York or Utah or if any material disruption in commercial banking or securities settlement or clearance services shall have occurred; or

(iv) Any financial rating assigned to the Series 2018A Bonds or any other obligations of the Issuer by S&P Global Ratings (“S&P”), Fitch Ratings, Inc. (“Fitch”), or Moody’s Investors Service, Inc. (“Moody’s”), as the case may be, shall have been downgraded, withdrawn, or any other action taken, and such action, in the opinion of the Underwriter, has a material adverse effect on the marketability of the Series 2018A Bonds; or

(v) Any litigation shall be instituted, pending or threatened (A) to restrain or enjoin the issuance, sale or delivery of the Series 2018A Bonds, (B) in any way contesting or affecting any authority for or the validity of the Series 2018A Bonds, any of the proceedings of the Issuer or the Trustee taken with respect to the issuance or sale thereof, the pledge, appropriation or application of any moneys or securities provided for the payment of the Series 2018A Bonds, or (C) in any way contesting or affecting the existence or powers of the Issuer or the Trustee or the titles of their officers to their respective offices; or

(vi) Any other event or circumstances shall have occurred which shall be beyond the reasonable control of the Underwriter and, in the opinion of the Underwriter, might in any way have a material adverse effect on the marketability of the Series 2018A Bonds.

(c) At or prior to the Closing, the Underwriter shall receive the following:

(i) The approving opinion of Gilmore & Bell, P.C., Bond Counsel, dated the Closing Date, in substantially the form attached as Appendix E to the Official Statement;

(ii) The supplemental opinion of Gilmore & Bell, P.C., dated the Closing Date and addressed to the Underwriter, in standard form for similar transactions;

(iii) The opinion of Cohne Kinghorn, P.C., Salt Lake City, Utah, as counsel for the Issuer, in standard form for similar transactions and satisfactory to Bond Counsel and the Underwriter;

(iv) The Issuer’s certificate, dated the Closing Date, signed by the Mayor of the Issuer and the City Recorder of the Issuer and in form and substance satisfactory to the Underwriter and Bond Counsel, to the effect that (A) the representations of the Issuer herein are true and correct in all material respects as of the Closing Date as if made on the Closing Date; (B) except as disclosed in the Official Statement, no litigation is pending or, to the best of their knowledge, threatened against the Issuer (i) to restrain or enjoin the issuance or delivery of any of the Series 2018A Bonds, the refunding of the Refunded Bonds, or the collection of Net Revenues pledged under the Indenture, (ii) in any way contesting or affecting the authority for the issuance of the Series 2018A Bonds or the

adoption of the Resolution or the execution and delivery of the Transaction Documents, the validity or enforceability of the Series 2018A Bonds and the Transaction Documents, or the excludability from gross income for federal income tax purposes of interest on the Series 2018A Bonds, (iii) questioning or challenging any power of the Issuer, including its ability to levy taxes, or (iv) in any way contesting the organization, existence or powers of the Issuer or the titles of its officers to their respective offices, or (v) contesting or attempting to restrain or enjoining the application of the proceeds thereof or the payment, collection or application of the Net Revenues or the pledge of the Net Revenues, or of other moneys, rights and interests pledged pursuant to the Indenture or the adoption of the Resolution; (C) the descriptions and information contained in the Official Statement relating to the Issuer, its organization and financial and other affairs, and the application of the proceeds of sale of the Series 2018A Bonds are correct in all material respects, as of the date of the Official Statement and as of the Closing Date; (D) such descriptions and information, as of the date of the Official Statement did not, and as of said Closing Date do not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; (E) no event affecting the Issuer has occurred since the date of the Official Statement that should be disclosed in the Official Statement for the purpose for which it is to be used or that is necessary to be disclosed therein in order to make the statements and information therein not misleading in any material respect; (F) the Transaction Documents have been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the other parties thereto, the Transaction Documents constitute legal, valid and binding agreements of the Issuer enforceable in accordance with their respective terms except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights and by the availability of equitable remedies; (G) the Resolution authorizing the execution and delivery of the Transaction Documents has been duly adopted and have not been modified, amended or repealed; and (H) the execution and delivery of the Transaction Documents and this Purchase Contract and compliance with the provisions thereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the Issuer a breach of or default under any indenture, mortgage, deed of trust, agreement or other instrument to which the Issuer is a party or any law, public administrative rule or regulation, court order or consent decree to which the Issuer is subject;

(v) Copies of each of the Resolution and the Transaction Documents, duly executed by each of the parties thereto;



(vi) Copies of the Tax Certificate of the Issuer, relating to matters affecting the excludability from gross income for federal income tax purposes of interest on the Series 2018A Bonds, including the use of proceeds of sale of the Series 2018A Bonds and matters relating to arbitrage rebate pursuant to Section 148 of the Code and the applicable regulations thereunder, in form and substance satisfactory to Bond Counsel;

(vii) Copies of the Preliminary Official Statement and copies of the Official Statement;

(viii) Evidence satisfactory to the Underwriter that the Series 2018A Bonds have received a rating of “\_\_\_\_\_” from S&P;

(ix) All documents, certificates and opinions required by the Indenture; and

(x) Such additional legal opinions, certificates, instruments and other documents as the Underwriter or Bond Counsel may reasonably request.

All the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Purchase Contract shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Underwriter, and the Underwriter shall have the right to waive any condition set forth in this Section.

#### ARTICLE IV

##### EXPENSES

All expenses and costs in connection with the authorization, issuance and sale of the Series 2018A Bonds to the Underwriter, including rating agency fees, the costs of printing the Official Statement and the Preliminary Official Statement, advertising costs, the initial fees of the Trustee in connection with the issuance of the Series 2018A Bonds, the fees and expenses of Bond Counsel, the fees and expenses of counsel to the Issuer, the Issuer’s municipal advisor, and travel and other expenses shall be costs and expenses of the Issuer and shall be paid by the Issuer.

#### ARTICLE V

##### GENERAL

Any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing to the Underwriter, George K. Baum & Company, 15 West South Temple, Suite 1090, Salt Lake City, Utah 84101, Attention: Matt Dugdale. Any notice or other communication to be given to the Issuer under this Purchase Contract may be given by delivering the same in writing to



Eagle Mountain City, Utah, 1650 East Stagecoach Run, Eagle Mountain, Utah 84005, Attention: Mayor, with a copy thereof to Issuer's counsel, Jeremy Cook, Esq., Cohn Kinghorn P.C., 111 East Broadway, Eleventh Floor, Salt Lake City, Utah 84111. The approval or other action or exercise of judgment by the Underwriter shall be evidenced by a writing signed on behalf of the Underwriter and delivered to the Issuer.

This Purchase Contract is made solely for the benefit of the Issuer and the Underwriter (including its successors or assigns) and no other person shall acquire or have any right hereunder or by virtue hereof. All the representations, warranties, covenants and agreements contained herein shall remain operative and in full force and effect and shall survive delivery of and payment of the Series 2018A Bonds hereunder and regardless of any investigation made by the Underwriter or on their behalf.

This Purchase Contract shall be governed by the laws of the State of Utah.

This Purchase Contract may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

The Issuer acknowledges and agrees that (i) the purchase and sale of the Series 2018A Bonds pursuant to this Purchase Contract is an arm's-length commercial transaction between the Issuer and the Underwriter; (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as a principal and is not acting as the agent, advisor or fiduciary of the Issuer; (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the Issuer with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the Issuer on other matters) and the Underwriter has no obligation to the Issuer with respect to the offering contemplated hereby except the obligations expressly set forth in this Purchase Contract; (iv) the Underwriter is not acting as municipal advisor (as defined in Section 15B of the Securities Exchange Act of 1934, as amended); and (v) the Issuer consulted its own legal, financial and other advisors to the extent it deemed appropriate in connection with the offering of the Series 2018A Bonds. The Issuer has retained Lewis Young Robertson and Burningham, Inc. as its Independent Registered Municipal Advisor in this transaction.

This Purchase Contract contains the entire agreement between the parties relating to the subject matter hereof, and all previous representations, endorsements, promises, agreements or understandings, oral, written or inferred, between the parties relating to the subject matter hereof are superseded hereby.

[Signature Page Follows]

This Purchase Contract shall become effective upon the execution by George K. Baum & Company and the acceptance hereof by the Issuer.

Very truly yours,

GEORGE K. BAUM & COMPANY

By: \_\_\_\_\_

Its: \_\_\_\_\_

EAGLE MOUNTAIN CITY, UTAH

By: \_\_\_\_\_  
Designated Officer

ATTEST:

By: \_\_\_\_\_  
City Recorder

(SEAL)

SCHEDULE 1

\$ \_\_\_\_\_  
Eagle Mountain City, Utah  
Water and Sewer Revenue Refunding Bonds,  
Series 2018

<u>Maturity Date</u> <u>(November 15)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
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EXHIBIT A

UNDERWRITER'S RECEIPT FOR BONDS AND CLOSING CERTIFICATE

\$ \_\_\_\_\_  
Eagle Mountain City, Utah  
Water and Sewer Revenue Refunding Bonds,  
Series 2018

The undersigned, on behalf of George K. Baum & Company (the "Original Purchaser"), as the original purchaser of the above-described bonds (the "Bonds"), being issued on the date of this Certificate by Eagle Mountain City, Utah (the "Issuer"), certifies and represents as follows:

1. Receipt of the Bonds. The Original Purchaser hereby acknowledges receipt of the Bonds pursuant to the Bond Purchase Contract (the "Purchase Contract") by and between the Issuer and the Original Purchaser dated as of March \_\_\_\_\_, 2018 (the "Sale Date"). The Bonds are issued as fully registered bonds, and are dated, mature on the dates, bear interest at the rates per annum, and are numbered as set forth in the Indenture (as defined in the Bond Purchase Contract.)

2. Issue Price.

(a) For purposes of this Certificate the following definitions apply:

"Effective Time" means the time on the Sale Date that the Purchase Contract to purchase the Bonds became enforceable.

"Holding Period" means with respect to each Undersold Maturity the period beginning on the Sale Date and ending on the earlier of the following:

(1) the close of the fifth (5th) business day after the Sale Date;  
or

(2) the date and time at which the Purchaser has sold at least 10% of that Undersold Maturity of the Bonds to the Public at one or more prices that are no higher than the Initial Offering Price.

"Initial Offering Price" means the price listed on Schedule 1 of the Purchase Contract for each Maturity.

"Maturity" means Bonds with the same credit and payment terms; Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

"Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriting Firm or a related party to an Underwriting Firm. An Underwriting Firm and a

person are related if it and the person are subject, directly or indirectly, to (A) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other.

“Purchaser” means George K. Baum & Company.

“Sale Date” means the date of execution of the Purchase Contract.

“Undersold Maturity” or “Undersold Maturities” means any Maturity for which less than 10% of the principal amount of Bonds of that Maturity were sold as of the Effective Time.

“Underwriting Firm” means (A) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) of this definition to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(b) The Purchaser represents as follows:

1. Attached as Attachment 1 is a copy of the pricing wire or similar communication used to communicate the Initial Offering Price of each Maturity to the Public.

2. As of the Effective Time all the Bonds were the subject of an initial offering to the Public.

3. As of the Effective Time none of the Bonds were sold to any person at a price higher than the Initial Offering Price for that Maturity.

4. [[As of the Effective Time there were no Undersold Maturities.]]  
[[For any Undersold Maturity, during the Holding Period each Underwriting Firm did not offer nor sell Bonds of the Undersold Maturity to the Public at a price that is higher than the respective Initial Offering Price for that Undersold Maturity.

5. Any separate agreement among any Underwriting Firm related to the sale of an Undersold Maturity during the Holding Period contained the agreement referenced in 4 above.]]



GEORGE K. BAUM & COMPANY

By: \_\_\_\_\_

Its: \_\_\_\_\_

SCHEDULE 1 – [*same as in Bond Purchase Contract*]  
ATTACHMENT 1 -- Initial Offering Price Documentation  
[Attach Pricing Wire or Other Offering Price Documentation]