

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2017

NEW ISSUE—Issued in Book-Entry Only Form

Rating: _____
(See “RATING” herein)

In the opinion of Gilmore & Bell, P.C., Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended, the interest on the Series 2017 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 imposed on individuals and corporations. Bond Counsel is also of the opinion that interest on the Series 2017 Bonds is exempt from State of Utah individual income taxes. See “TAX MATTERS” in this Official Statement.

SANDY CITY, UTAH
\$ _____*
WATER REVENUE BONDS
SERIES 2017

Dated: Date of Initial Delivery

Due: July 15, as shown herein

The \$ _____* Water Revenue Bonds, Series 2017 (the “Series 2017 Bonds”) are issued as fully registered bonds by Sandy City, Utah (the “City”) and when initially issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Series 2017 Bonds. Purchases of the Series 2017 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 2017 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 2017 Bonds. Interest on the Series 2017 Bonds is payable on January 15 and July 15 of each year, commencing [_____ 15, 20__], by ZB, 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 2017 Bonds, payments of the principal of and interest on such 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 2017 BONDS—Book-Entry Only System” herein.

[The Series 2017 Bonds are subject to redemption prior to maturity as described herein. See “THE SERIES 2017 BONDS—Redemption” herein.]

Proceeds of the Series 2017 Bonds will be used by the City to (i) finance improvements to the City’s water utility system and (ii) pay the costs of issuing the Series 2017 Bonds.

The Series 2017 Bonds are limited obligations of the City, payable solely by a pledge and assignment of Revenues from the System, after payment of Operation and Maintenance Expenses (as such terms are defined herein) of the System, and moneys on deposit in the funds and accounts (other than the Rebate Fund and the Repair and Replacement Fund) established in the Indenture between the City and ZB, National Association, as trustee. The Series 2017 Bonds do not constitute a general obligation indebtedness or a pledge of the taxing power or the full faith and credit of the City, and are not obligations of the State of Utah or any other agency or other political subdivision or entity of the State of Utah. The City will not mortgage or grant a security interest in the System or any portion thereof to secure payment of the Series 2017 Bonds or any portion thereof to secure payment of the Series 2017 Bonds. See “SECURITY AND SOURCES OF PAYMENT” herein.

The Series 2017 Bonds are offered when, as and if issued by the City and subject to the approval of their legality by Gilmore & Bell, P.C., Salt Lake City, Utah, Bond Counsel to the City. Certain matters relating to disclosure will be passed upon for the City by Gilmore & Bell, P.C., Salt Lake City, Utah, disclosure counsel to the City. Certain legal matters will be passed upon for the City by I. Robert Wall, Esq., City Attorney. It is expected that the Series 2017 Bonds, in book-entry only form, will be available for delivery to DTC or its agent on or about _____, 2017.

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 _____, 2017, and the information contained herein speaks only as of that date.

[UNDERWRITER]

* Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

SANDY CITY, UTAH

\$ _____*
WATER REVENUE BONDS, SERIES 2017

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES/YIELDS

<u>Due</u> <u>(July 15)</u>	<u>Principal</u> <u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>CUSIP</u> [†]
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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 2017 Bonds. None of the City, the Trustee or 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 2017 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2017 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.

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 or solicitation of an offer to buy nor shall there be any sale of the Series 2017 Bonds by any person in any jurisdiction in which it is unlawful for such offer, solicitation or sale.

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.

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 2017 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 2017 Bonds. Such transactions, if commenced, may be discontinued at any time.

This Official Statement contains “forward-looking statements” within the meaning of the federal securities laws. These forward-looking statements include, among others, statements concerning expectations, beliefs, opinions, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. 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.

THESE SECURITIES 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.

SANDY CITY, UTAH

\$ _____*
WATER REVENUE BONDS, SERIES 2017

10000 Centennial Parkway
Sandy, Utah 84070-1799
(801) 568-7100

CITY COUNCIL

Stephen P. Smith Chair, Council Member
Maren Barker Council Member
Kristen Coleman-Nicholl Council Member
Scott L. Cowdell Council Member
Steven K. Fairbanks Council Member
Christopher K. McCandless Council Member
Linda Martinez-Saville Council Member

CITY ADMINISTRATION

Thomas M. Dolan Mayor
Scott J. Bond Chief Administrative Officer
Molly B. Spira City Recorder
I. Robert Wall City Attorney
Brian P. Kelley Director of Finance and Information Technology
Glade G. Jardine Deputy Director of Finance
Thomas K. Ward, P.E. Director of Public Utilities

TRUSTEE, PAYING AGENT & REGISTRAR

ZB, National Association
One South Main, 12th Floor
Salt Lake City, Utah 84133
(801) 844-7546

MUNICIPAL ADVISOR

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

**BOND COUNSEL AND DISCLOSURE
COUNSEL**

Gilmore & Bell, P.C.
15 West South Temple, Suite 520
Salt Lake City, Utah 84101
(801) 364-5080

UNDERWRITER

[To be determined]

* Preliminary; subject to change.

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**OFFICIAL STATEMENT
RELATING TO
SANDY CITY, UTAH
\$ _____*
WATER REVENUE BONDS, SERIES 2017**

INTRODUCTION

This Official Statement, including the cover page, introduction, and appendices, provides information in connection with the issuance and sale by Sandy City, Utah (the “City”) of its \$ _____* Water Revenue Bonds, Series 2017 (the “Series 2017 Bonds”), initially issued in book-entry form only. The Series 2017 Bonds are being issued on a parity with the Outstanding Parity Bonds (as defined herein). 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 the Series 2017 Bonds to potential investors is made only by means of the entire Official Statement.

See also the following appendices attached hereto: “APPENDIX A—AUDITED BASIC FINANCIAL STATEMENTS OF SANDY CITY WITH INDEPENDENT AUDITORS’ REPORT FOR FISCAL YEAR ENDED JUNE 30, 2016”; “APPENDIX B—DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY AND SALT LAKE COUNTY”; “APPENDIX C— EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE”; “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, incorporated in 1893, covers an area of approximately 22 square miles and is located in the southeast portion of Salt Lake County, Utah (the “County”). The City has approximately 93,613 residents according to the 2015 annual estimate of the U.S. Census Bureau and is ranked as the 6th largest city in the State of Utah (the “State”). For more complete information, see “SANDY CITY” and APPENDICES A and B herein.

Authorization and Purpose of the Series 2017 Bonds

The Series 2017 Bonds are being issued pursuant to (i) the Government Bonding Act, Title 11, Chapter 14, Utah Code Annotated 1953, as amended (the “Act”), and other applicable provisions of law; (ii) resolutions adopted on March 28, 2017 and May 16, 2017 (together, the “Resolution”) which provide for the issuance of the Series 2017 Bonds; and (iii) a General Indenture of Trust dated as of April 1, 2004, as previously amended and supplemented (the “General Indenture”), between the City and ZB, National Association, as trustee (the “Trustee”), and as further amended and supplemented by a Third Supplemental Indenture of Trust dated as of _____ 1, 2017 (the “Third Supplemental Indenture,” and together with the General Indenture, the “Indenture”).

Proceeds of the Series 2017 Bonds will be used by the City to (i) finance improvements to the City water utility (the “System,” including but not limited to a new water storage tank, well replacement, restoration and remediation, land acquisition, and other related projects (collectively, the “2017 Project”) and (ii) pay the costs of issuing the Series 2017 Bonds. See “THE 2017 PROJECT,” herein.

* Preliminary; subject to change.

The System

The System provides water to approximately 25,604 connections as an enterprise utility funded through user fees. The System services an area of over 24 square miles, some of which is outside the City's municipal boundary. The System currently has approximately 427 miles of transmission lines and 10 water storage tanks with storage capacity of approximately 36 million gallons. The System's total water production capacity from all sources is approximately 96.33 million gallons per day, with a diversified surface and ground water supply of 36,806 acre feet available during dry conditions. The primary sources of water for the City are 16 functional wells and water purchases from the Metropolitan Water District of Salt Lake City and Sandy.

Security and Sources of Payment

The Series 2017 Bonds, together with interest thereon, are limited obligations of the City, payable solely from and secured solely by a pledge and assignment of Revenues of the System, after payment of Operation and Maintenance Expenses (as defined in "APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE GENERAL INDENTURE OF TRUST") of the System (the "Net Revenues"), and moneys on deposit in the funds and accounts established under the Indenture (other than the Rebate Fund and the Repair and Replacement Fund). The Revenues consist of all revenues, fees, income, rents and receipts received or earned by the City from or attributable to the ownership and operation of the System, together with all interest earned by and profits derived from the sale of investments in the related funds thereof.

The Series 2017 Bonds will not be a general obligation of the City or the State or any agency, instrumentality or political subdivision thereof. Neither the faith and credit nor the ad valorem taxing power of the City or the taxing power of the State or any agency, instrumentality or political subdivision thereof will be assigned or pledged for payment of principal of, premium, if any, and interest on the Series 2017 Bonds. The issuance of the Series 2017 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 ad valorem taxation therefor or to make any appropriation for the payment of the Series 2017 Bonds. The City will not mortgage or grant a security interest in the System or any portion thereof to secure payment of the Series 2017 Bonds.

The Series 2017 Bonds are secured on a lien parity with the Outstanding Parity Bonds (described below) and any additional bonds, notes or other obligations (the "Additional Bonds") which may be issued from time to time under the Indenture. See "SECURITY FOR THE SERIES 2017 BONDS" herein.

Outstanding Parity Bonds

The City has previously issued its Water Revenue Bonds, Series 2012 (the "Series 2012 Bonds") currently outstanding in the aggregate principal amount of \$3,780,000. The Series 2012 Bonds (also referred to herein as the "Outstanding Parity Bonds") are secured by the Revenues on a parity with the Series 2017 Bonds.

Additional Bonds

The Indenture permits the issuance of Additional Bonds secured by the Net Revenues, on an equal lien parity with the Outstanding Parity Bonds and Series 2017 Bonds, but requires that the City provide certain certificates and opinions as a condition to the issuance of Additional Bonds. See "SECURITY AND SOURCES OF PAYMENT—Additional Bonds" herein. The Series 2017 Bonds, the Outstanding Parity Bonds, and any Additional Bonds are collectively referred to herein as the "Bonds."

Redemption

[The Series 2017 Bonds are subject to redemption prior to maturity. See "THE SERIES 2017 BONDS—Redemption Provisions" herein.]

Registration, Denominations, Manner of Payment

The Series 2017 Bonds are issuable only as fully registered bonds without coupons and, when initially issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Series 2017 Bonds. Purchases of Series 2017 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. Beneficial Owners of the Series 2017 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 2017 Bonds.

Principal of and interest on the Series 2017 Bonds (interest payable January 15 and July 15 of each year, commencing _____ 15, 20____) are payable by ZB, National Association, as paying agent (the “Paying Agent”), to the registered owners of the Series 2017 Bonds. So long as DTC is the registered owner, it will, in turn, remit such principal and interest to its Participants, for subsequent disbursements to the Beneficial Owners of the Series 2017 Bonds, as described under “THE SERIES 2017 BONDS—Book-Entry Only System” herein.

Tax Matters

In the opinion of Gilmore & Bell, P.C., Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended, the interest on the Series 2017 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 imposed on individuals and corporations. Bond Counsel is also of the opinion that the interest on the Series 2017 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 2017 Bonds.

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

The Series 2017 Bonds are offered, subject to prior sale, when, as and if issued and received by the Underwriter subject to 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 for the City by Gilmore & Bell, P.C., Salt Lake City, Utah, disclosure counsel to the City. Certain legal matters will be passed upon for the City by I. Robert Wall, Esq., City Attorney. It is expected that the Series 2017 Bonds, in book-entry only form, will be available for delivery to DTC or its agent on or about _____, 2017.

Continuing Disclosure

The City will execute a Continuing Disclosure Undertaking for the benefit of the beneficial owners of the Series 2017 Bonds to enable the Underwriter to comply with the requirements of Rule 15c2-12 under the Securities Exchange Act of 1934. See “CONTINUING DISCLOSURE” and “APPENDIX D—FORM OF CONTINUING DISCLOSURE UNDERTAKING.”

Basic Documentation

The “basic documentation” which includes the Resolution, the Indenture and other documentation, authorizing the issuance of the Series 2017 Bonds and establishing the rights and responsibilities of the City and other parties to the transaction, may be obtained from the “contact persons” as indicated herein.

Contact Persons

The chief contact person for the City concerning the Series 2017 Bonds is:

Brian Kelley
Director of Finance and Information Technology
10000 Centennial Parkway
Sandy, Utah 84070-1799
Telephone: (801) 568-7100
bkelley@sandy.utah.gov

The chief contact person for the City's Municipal Advisor concerning the Series 2017 Bonds is:

Jason W. Burningham - Principal
Lewis Young Robertson & Burningham, Inc.
Gateway Plaza Building
41 North Rio Grande, Suite 101
Salt Lake City, Utah 84101
Telephone: (801) 596-0700
jason@lewisyoung.com

THE SERIES 2017 BONDS

General

The Series 2017 Bonds will be dated as of their date of delivery and except as otherwise provided in the Indenture, shall bear interest from said date. Interest on the Series 2017 Bonds will be payable semiannually on January 15 and July 15 of each year commencing _____ 15, 20____. The Series 2017 Bonds are issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof.

The Series 2017 Bonds shall bear interest at the rates and shall mature in each of the years as described on the inside cover page hereof. Interest on the Series 2017 Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Interest on the Series 2017 Bonds will be payable by check or draft mailed by the Paying Agent to the Registered Owner thereof (initially DTC) as of the Regular Record Date. Principal of and premium, if any, on the Series 2017 Bonds will be payable at the principal corporate trust office of ZB, National Association, Salt Lake City, Utah, as Trustee and Paying Agent, or its successor upon presentation of the Series 2017 Bonds by the Registered Owners or their duly authorized agents on or after the date of maturity or redemption.

Redemption Provisions

[Optional Redemption]. The Series 2017 Bonds maturing on or before July 15, 20____ are not subject to redemption prior to maturity. The Series 2017 Bonds maturing on or after July 15, 20____ are subject to redemption at the option of the City on _____, 20____, and on any date thereafter prior to maturity, in whole or in part, from such maturities or parts thereof as may be selected by the City at a redemption price equal to 100% of the principal amount of the Series 2017 Bonds to be redeemed plus accrued interest thereon to the date of redemption.]

[Mandatory Sinking Fund Redemption]. The Series 2017 Bonds maturing on July 15, 20____ are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date of redemption on the dates and in the principal amounts as follows:

Redemption Date
(July 15)

Principal
Amount

*

* Final maturity

Upon redemption of any Series 2017 Bond maturing on July 15, 20____, other than by application of such mandatory sinking fund redemption, an amount equal to the principal amount so redeemed will be credited toward a part or all of any one or more of such mandatory sinking fund redemption amounts for the Series 2017 Bonds maturing on July 15, 20____ in such order of mandatory sinking fund date as shall be directed by the City.]

Partially Redeemed Fully Registered Bonds. If fewer than all of the Series 2017 Bonds of any maturity are to be so redeemed, the particular Series 2017 Bonds or portion of the Series 2017 Bonds to be redeemed shall be selected by the Trustee, in such manner as the Trustee in its discretion may deem proper.

In case any registered Bond shall be redeemed in part only, upon the presentation of such Bond for such partial redemption, the City shall execute and the Trustee shall authenticate and 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 registered Bond. A portion of any Bond of a denomination of more than the minimum denomination of such Series specified in the Indenture to be redeemed will be in the principal amount of such minimum denomination or an integral multiple thereof and in selecting portions of such Bonds for redemption, the Trustee will treat each such Bond as representing that number of Bonds of such minimum denomination which is obtained by dividing the principal amount of such Bonds by such minimum denomination.

Notice and Effect of Redemption. In the event any of the Bonds are to be redeemed, the Registrar shall cause notice to be given as provided in the Indenture. Notice of such redemption shall be mailed by first class mail, postage prepaid, to all Registered Owners of Bonds to be redeemed at their addresses as they appear on the registration books of the Registrar, at least thirty days but not more than sixty days prior to the date fixed for redemption. 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 Bonds called for redemption, such notice shall state that such redemption shall be 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 said notice shall be of no force and effect and the City shall not be required to redeem such Bonds. In the event that such moneys are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice, one time, in the same manner in which the notice of redemption was given, that such moneys were not so received.

Book-Entry Only System

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

SECURITY FOR THE SERIES 2017 BONDS

Limited Obligations

The Series 2017 Bonds are limited obligations of the City, payable solely by a pledge and assignment of Revenues from the System, after payment of Operation and Maintenance Expenses of the System (the “Net Revenues”), and moneys on deposit in the funds and accounts established in the Indenture (other than the Rebate Fund and the Repair and Replacement Fund). The Series 2017 Bonds do not constitute a general obligation indebtedness

or a pledge of the taxing power or the full faith and credit of the City, and are not obligations of the State or any other agency or other political subdivision or entity of the State. The City will not mortgage or grant a security interest in the System or any portion thereof to secure payment of the Series 2017 Bonds or any portion thereof to secure payment of the Series 2017 Bonds.

Flow of Funds

To secure the timely payment of the principal of and interest on the Bonds, the City has pledged and assigned to the Trustee the Net Revenues and moneys on deposit in the funds and accounts established by the Indenture (other than the Rebate Fund and the Repair and Replacement Fund). The Indenture establishes a Bond Fund, a Debt Service Reserve Fund, a Reserve Instrument Fund, a Revenue Fund and certain other funds and accounts.

The Indenture provides that all Revenues shall be accounted for and maintained by the City in the Revenue Fund, separate and apart from all other moneys of the City. The Indenture provides that the Revenues shall be expended and used by the City only in the following manner and order of priority:

(a) As a first charge and lien on the Revenues, the City shall cause to be paid from the Revenue Fund from time to time as the City 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.

(b) So long as any Bonds are Outstanding, as a second charge and lien on the Revenues, i.e., from the Net Revenues, the City shall, at least fifteen days before each Interest Payment Date, transfer and deposit into the Bond Fund from the Revenue 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 City need not allocate to the Bond Fund to pay interest on the Bonds); plus

(ii) the principal and premium, if any, falling due on the next succeeding principal payment date established for the Bonds; plus

(iii) the Sinking Fund Installments, if any, falling due on the next succeeding Sinking Fund Installment 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. The foregoing provisions may be revised by a Supplemental Indenture for any Series of Bonds having other than semiannual Interest Payment Dates.

(c) As a third charge and lien on the Net Revenues (on a parity basis), the City 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 accounts in the Debt Service Reserve Fund any amounts required by the Indenture 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 in the Indenture and in any Supplemental Indenture and (B) if funds 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, the City shall deposit Net Revenues in such account(s) in the Debt Service Reserve Fund 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 subparagraph (ii) of this Paragraph) of remaining Net Revenues if less than the amount necessary; and

(ii) Equally and ratably to the accounts of the Reserve Instrument Fund, with respect to all Reserve Instruments which are in effect and are expected to continue in effect after the end of such month, such amount of the remaining Net Revenues, or a ratable portion (based on the amount to be transferred pursuant to Subparagraph (i) of this Paragraph) of the amount so remaining if less than the 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, in order to cause the Reserve Instrument Coverage to equal the Reserve Instrument Limit, within one year from any draw date under the Reserve Instrument.

(d) As a fourth charge and lien on the Net Revenues, the City shall deposit in the Repair and Replacement Fund any amount required by the Indenture 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 (or, after the issuance of Additional Bonds, the amount required to be on deposit therein), from time to time, the City shall deposit to the Repair and Replacement Fund from the Revenue Fund all remaining Net Revenues of the System after payments required by Paragraphs (a), (b) and (c) above have been made until there is on deposit in the Repair and Replacement Fund an amount equal to the Repair and Replacement Reserve Requirement. Subject to the provisions of the following Paragraph, this provision is not intended to limit, and shall not limit, the right of the City to deposit additional moneys in the Repair and Replacement Fund from time to time as the City may determine.

(e) Subject to making the foregoing deposits, the City may use the balance of the Net Revenues accounted for in the Revenue Fund for any of the following:

- (i) redemption of Bonds;
- (ii) refinancing, refunding, or advance refunding of any Bonds; or
- (iii) for any other lawful purpose.

[No Debt Service Reserve Requirement]

[There is no Debt Service Reserve Requirement with respect to the Series 2015 Bonds.]

Rate Covenant

The City covenants in the Indenture that so long as any obligations remain outstanding thereunder, the City will establish and collect rates and charges (including impact fees and connection fees) for System services which, for the forthcoming year are reasonably expected to produce Net Revenues equal to 110% of the Aggregate Annual Debt Service Requirement for such year.

The City agrees that proper records and accounts showing complete and correct entries of all transactions relating to the System will be kept by the City separate and apart from all other records and accounts. An annual audit of such records and accounts will be made by an independent firm of certified public accountants.

Additional Bonds

No additional indebtedness, bonds or notes of the City secured by a pledge of the Revenues senior to the pledge of Net Revenues for the payment of the Bonds and the Security Instrument Repayment Obligations authorized in the Indenture shall be created or incurred without the prior written consent of the Owners of 100% of the Outstanding Bonds and the Security Instrument Issuers. In addition, no Additional Bonds or other indebtedness, bonds

or notes of the City payable on a parity with the Bonds and the Security Instrument Repayment Obligations authorized in the Indenture out of Net Revenues shall be created or incurred, unless the following requirements have been met:

(a) No Event of Default shall have occurred and be continuing under the Indenture on the date of authentication of any Additional Bonds. This paragraph (a) shall not preclude the issuance of Additional Bonds if (i) the issuance of such Additional Bonds otherwise complies with the provisions of the Indenture and (ii) such Event of Default will cease to continue upon the issuance of Additional Bonds and the application of the proceeds thereof; and

(b) A certificate shall be delivered to the Trustee by an Authorized Representative to the effect that the Net Revenues for any Year in the 24 months immediately preceding the proposed date of issuance of such Additional Bonds were at least equal to 110% of the sum of the Aggregate Annual Debt Service Requirement on all Bonds Outstanding for said Year; and

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

(c) In the case of Additional Bonds issued to finance a Project, the City shall have delivered to the Trustee a certificate from a Qualified Engineer:

(i) setting forth the Estimated Net Revenues, described in the Indenture, (assuming, if applicable, the completion of the Project, or any portion thereof, financed with proceeds of the Additional Bonds) either:

(A) for each of the two Bond Fund Years succeeding the latest estimated date of completion of the Project, or any portion thereof, if proceeds of the Additional Bonds are used to fund interest during the construction period, or

(B) if (A) is not the case, for the then current Bond Fund Year and each succeeding Bond Fund Year to and including the second Bond Fund Year succeeding the latest estimated date of completion of the Project, or any portion thereof; and

(ii) verifying that the Estimated Net Revenues as shown in (i) above for each of such Bond Fund Years are not less than 110% of the Aggregate Annual Debt Service Requirement for each of such Bond Fund Years with respect to all of the Bonds and Additional Bonds which would then be Outstanding (after taking into account any principal reductions resulting from regularly scheduled principal or sinking fund redemption payments) and the Additional Bonds so proposed to be issued.

For purposes of subsection (c), "Estimated Net Revenues" shall be determined by the Qualified Engineer as follows:

(A) The total Net Revenues of the System for any Year in the 24 months immediately preceding the authentication and delivery of the Additional Bonds shall first be determined. For purposes of these calculations, Revenues may be adjusted to give full effect to rate increases implemented prior to the issuance of the Additional Bonds.

(B) Next, the additional Net Revenues, if any, resulting from the Project, or any portion thereof, financed with the proceeds of the Additional Bonds will be estimated by the Qualified Engineer for the applicable Bond Fund Years as determined in (c)(i)(A) or (B) above.

(C) The Estimated Net Revenues will be the sum of the Net Revenues as calculated in (A) above, plus 80% of the estimated additional Net Revenues as calculated in (B) above.

(iii) All payments required by the Indenture to be made into the Bond Fund must have been made in full, and there must be on deposit in each account of the Debt Service Reserve Fund (taking into account any Reserve Instrument coverage) the full amount required to be accumulated therein at the time of issuance of the Additional Bonds; and

(iv) The proceeds of the Additional Bonds must be used (i) to refund Bonds issued under the Indenture or other obligations of the City (including the funding of necessary reserves and the payment of costs of issuance) and/or (ii) to finance or refinance a Project (including the funding of necessary reserves and the payment of costs of issuance).

THE 2017 PROJECT

A portion of the proceeds from the Series 2017 Bonds will be used to replace two existing two-million gallon culinary water storage tanks with one new five-million gallon tank to be located at the City’s Flat Iron Park. The existing steel tanks are nearly 50 years old, do not meet current seismic structural design criteria, and are in need of repair. The new tank will meet seismic requirements and will provide an additional one million gallons of water storage to support growth as recommended in the City’s 2010 Water System Master Plan (the “System Master Plan”). This is the final water storage project identified in the System Master Plan. Upon completion of the water storage tank project, the System will no longer include any steel storage tanks and all water storage tanks in the System will be up to current seismic and condition standards. The additional one million gallons of water storage pushes future storage needs for growth out 10 to 30 years.

The 2017 Project also includes replacement, restoration, and remediation of a 30-year-old well northwest of Flat Iron Park that has been abandoned due to sanding. The new well, situated next to the new storage tank and above a healthy aquifer, restores the System to a total of 17 active wells and provides better operational efficiency and redundancy with its location in an upper pressure zone in the System.

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds for the Series 2017 Bonds are as follows:

Sources of Funds

Principal Amount of Series 2017 Bonds	\$
[Reoffering Discount/Premium]	
TOTAL	\$

Uses of Funds

Deposit to Construction Fund.....	\$
Costs of Issuance ⁽¹⁾	
TOTAL	\$

⁽¹⁾ Costs of Issuance include legal, municipal advisor, rating agency and Trustee fees, Underwriter’s discount, and other costs and expenses related to the issuance of the Series 2017 Bonds.

DEBT SERVICE SCHEDULE

The following table sets forth the estimated debt service schedule for the Series 2017 Bonds and the Outstanding Parity Bonds. As noted elsewhere in this Official Statement, the Series 2017 Bonds will, upon their issuance, be secured by the Indenture on a parity with the Outstanding Parity Bonds.

Fiscal Year <u>Ending June 30</u>	<u>Series 2017 Bonds</u>		<u>Outstanding Parity Bonds⁽¹⁾</u>	<u>Fiscal Total</u>
	<u>Principal*</u>	<u>Interest</u>		
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
Total				

⁽¹⁾ Amounts have been rounded. Includes principal and interest.

* Preliminary; subject to change

(Source: The Municipal Advisor.)

THE SYSTEM

Structure and Management

The City's Department of Public Utilities is responsible for new construction, maintenance, operation and management of the System. The Director of Public Utilities supervises major construction projects performed for the System. Employees from other City departments provide, accounting, billing, inventory control, data processing, legal and other services for the System. The City maintains a separate enterprise fund to account for revenues and expenses of the System.

Overview. The System currently has approximately 427 miles of transmission lines and 10 water storage tanks with storage capacity of approximately 36 million gallons. The primary sources of water for the City are 16 deep wells and water purchases from the Metropolitan Water District of Salt Lake City and Sandy ("MWDSLS"). The System currently services both City residents and some neighboring areas.

Water Supply. The City's total water production capacity is approximately 96.33 million gallons per day (mgd), with a diversified surface and ground water supply of 36,806 acre feet (af) available during dry (drought) conditions, both of which meet the City's projected needs through year 2050 based upon the City's 2010 Water System Master Plan.

The City currently operates 21 wells with an approximate maximum production capacity of 39 mgd, with the potential to produce up to approximately [4yg b3,800] [?] af annually. These estimates of production by the City are based upon existing groundwater rights which may be reduced in the future by the State of Utah Engineer in association with the Salt Lake Valley Groundwater Management Plan. However, the City does not currently utilize its wells at full capacity and therefore does not expect that any such decrease in existing groundwater rights will have a material impact on the System. The City also owns or controls approximately 26,000 af of surface water rights in Little Cottonwood Creek and the Utah Lake System. Some of the water associated with these rights can be treated at the MWDSLS Little Cottonwood Water Treatment Plant on a capacity available basis.

The City purchases a substantial portion of its water resources from its wholesale water provider, MWDSLS. The City's current contract with MWDSLS provides an annual preferential right of 7,940 af of water from MWDSLS supplies in Deer Creek Reservoir and 3,327 af of Ontario Drain Tunnel supply in the Deer Creek Reservoir watershed through its two drinking water treatment plants. Furthermore, the City's contract with MWDSLS provides for the treatment of approximately 8,500 af of water annually from the City's water rights in Little Cottonwood Creek. The City also maintains the right to purchase surplus water available from MWDSLS and has an option to acquire additional MWDSLS supply if needed through its participation in the Central Utah Water Conservancy District (CUWCD) Utah Lake System (ULS) and supply. MWDSLS has capacity to provide the City approximately 57 mgd; the City uses approximately 55 mgd of this capacity.

During the peak demand months of July and August, the City can currently use as much as 60 mgd. The winter months see this usage drop to an average daily use of approximately 9 mgd. The City estimates its total available capacity to be approximately 75 mgd.

Metropolitan Water District of Salt Lake and Sandy. MWDSLS was organized on August 30, 1935, under the provisions of the State's Metropolitan Water District Act (the "Metropolitan Water District Act"). MWDSLS has functioned as a wholesale provider of water to Salt Lake City, the City, the Jordan Valley Water Conservancy District ("JVWCD"), and various water companies and improvement districts. MWDSLS is the principal wholesaler of water to Salt Lake City and the City. As members of MWDSLS, Salt Lake City and the City have a statutory preferential right to purchase all of the water obtained by MWDSLS, at rates fixed by MWDSLS, for use within their corporate boundaries. MWDSLS also is a major supplier of surplus water (that is, water "surplus" to the preferential needs of the City and Salt Lake City) for the JVWCD which supplies water to Salt Lake County and other municipalities located within Salt Lake County and outside MWDSLS's boundaries. MWDSLS obtains its water supply through its stock holdings in the Provo River Water Users Association, which it transports from the Deer Creek Dam and Reservoir through the Salt Lake Aqueduct and Provo Reservoir Aqueduct and its Little Cottonwood Water Treatment Plant and Point of the Mountain Water Treatment Plant to two terminal reservoirs operated by MWDSLS. MWDSLS also transports water for the JVWCD and the CUWCD through the Salt Lake Aqueduct. In addition, MWDSLS plays an

important role in water resource planning, development and management within the Salt Lake area and in coordination of the area's water distribution.

The following table shows the City's sources of water from 2006 to 2016.

Sources of Water

SOURCES OF WATER (Measured in Acre Feet)					
<u>Calendar Year</u>	<u>System Wells</u> ⁽¹⁾	<u>MWDSLS</u>	<u>JVWCD</u> ⁽²⁾	<u>Other</u> ⁽³⁾	<u>Totals</u>
2016	7,842.47	17,468.26	-	-	25,310.73
2015	2,723.69	21,474.95	-	-	24,198.64
2014	13,497.25	10,678.60	-	-	25,442.18
2013	694.29	24,747.89	-	-	25,442.18
2012	10,906.05	17,533.03	-	-	28,439.08
2011	6,140.21	17,332.57	-	-	23,472.78
2010	8,956.20	15,767.69	-	-	24,723.89
2009	9,907.41	15,196.57	80	-	25,184.19
2008	3,730.85	23,576.35	315.00	-	27,622.20
2007	10,762.63	18,020.87	315.32	1,218	30,316.64

⁽¹⁾ Major fluctuation in well water draw is due to the availability of surface water and budget to purchase water from MWDSLS.

⁽²⁾ Wholesale water agreement with JVWCD ended in 2009.

⁽³⁾ In 2007 "Other" sources of water included exchanged water from the JVWCD.

(Source: The City.)

Storage Capacity. The City currently has 10 water storage tanks with approximately 36 million gallons of water storage capacity. State law requires that water storage systems have adequate storage for periods when demands exceed supply. The use of the water storage tanks enables the System to provide adequate service during peak demand times when customers are using more water than can be produced at one time. In the summer months, the storage tanks are filled during daytime hours when water demand is lower. By filling the storage tanks during the day, the System makes more efficient use of wells by operating them 24 hours a day at a constant rate. The storage tanks feed water to the distribution system by gravity. This provides for water during infrequent power outages when pumping of the City's wells be limited to the wells equipped with diesel generators.

Distribution. The distribution facilities of the System include approximately 427 miles of pipelines ranging from 2 to 36 inches, with 99% being 6" in diameter and larger. Most of the water pipes in the System are made of ductile iron pipe with newer pipe in the western portion being PVC. The water is brought from the mainlines to the customer through the service laterals and is metered at this point. The land elevation varies greatly throughout the System and requires certain operational adjustments for the effective operation of the System.

Because there is a more abundant supply of higher quality water in the middle elevation parts of the System, most of the wells that supply the City's water are located in these areas. Also, the water that is taken from MWDSLS flows into the System in these same areas. Water sourced from these areas is pumped to the higher elevation parts of the System using booster pumps. Operation of these booster pumps is a built-in expenditure necessary to provide adequate service to all of the System's customers.

Telemetry equipment is used to monitor key components of the System. This equipment allows System operators to monitor tank levels and key pressure points throughout the System. Well and MWDSLS water flows are monitored using this equipment. The use of telemetry equipment saves many miles of daily travel as well as providing a savings of manpower. Constant monitoring alerts System operators to possible problem areas so that corrective measures are taken before serious problems arise.

The City reports that the status of its distribution facilities are generally good and adequate to provide sufficient water pressure throughout the System for the foreseeable future.

Water Rights, Licenses, Permits, Approvals and Environmental Considerations

The City has obtained all necessary State water rights in connection with the wells of the System. The City has obtained all necessary state and local licenses, permits and approvals for operation and maintenance of the System. The City is not aware of any material environmental issues facing the System.

To the knowledge of the City, the System is currently operated in compliance with the provisions of all applicable environmental health and safety laws and regulations including, but not limited to, the Safe Drinking Water Act of 1986 and the Utah Safe Drinking Water Act.

Water Rates

The City Council has full and independent power, as granted by State law to establish revenue levels and rate design for water service provided by the City. 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 services four classes of accounts at differential rates. The “City” and “Senior Citizen” rates are for residents of the City (and commercial customers) and senior citizens, respectively. The “County” rates are for non-City residents (and commercial customers) that live in other Salt Lake County areas. “School” rates are for Jordan School District facilities served by the Water Division. The table below lists the current and historical rates for City residents. County resident accounts are charged somewhat more than City residents, but their rates are based on this same rate structure with an additional percentage applied respectively.

Historical and Current Water Rates for City Residents

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>Base Rate (monthly fixed charge)</u>					
3/4" meter	\$11.74	\$20.40	\$20.40	\$20.40	\$20.40
1" meter	15.89	27.63	27.63	27.63	27.63
1-1/2" meter	20.04	34.85	34.85	34.85	34.85
2" meter	31.45	54.71	54.71	54.71	54.71
3" meter	115.47	200.96	200.96	200.96	200.96
4" meter	146.58	255.13	255.13	255.13	255.13
6" meter	219.19	381.51	381.51	381.51	381.51
8" meter	302.18	525.96	525.96	525.96	525.96
10" meter	416.28	724.57	724.57	724.57	724.57
<u>Usage Fee⁽¹⁾</u>					
Block 1 (1,000 – 6,000 gal.)	1.56	–	–	–	–
Block 2 (7,000 – 40,000 gal.)	2.41	–	–	–	–
Block 3 (41,000 – 80,000 gal.)	2.84	–	–	–	–
Block 4 (81,000 gal. and above)	3.26	–	–	–	–
<u>Overage (above 6,000 gal.)⁽²⁾</u>					
Off Season					
(Oct. – April)/1,000 gal.	–	1.43	1.43	1.43	1.43
Peak Season					
(May – Sept.)/1,000 gal.	–	2.42	2.42	2.42	2.42

⁽¹⁾ Beginning with fiscal year 2016, the City implemented a new tiered usage rate structure. In addition to the base rate, a usage fee is charged per 1,000 gallons of water used within four block tiers as shown above.

⁽²⁾ Prior to fiscal year 2016, usage fees were based on “overage” above 6,000 gallons at either peak or off-season rates as shown above.

(Source: The City.)

Water Historical Growth and Largest Customers

<u>Calendar Year</u>	<u>Connections</u>	<u>Percentage Increase From Prior Year</u>
2016	25,607	0.35%
2015	25,517	0.90
2014	25,288	0.53
2013	25,153	2.67
2012	24,482	-1.48
2011	24,844	0.25
2010	24,782	0.32
2009 ⁽¹⁾	24,703	-11.37
2008	27,512	0.09
2007	27,486	–

⁽¹⁾ On June 1, 2009, a portion of the System was sold to Midvale City, Utah.

(Source: The City.) [Compare to table in 12/22/2016 Continuing Disclosure – why different?]

Water Consumption and Connections

Year	Total Sales	Total Sales in Gallons	% Change	Active Meters	% Change	Average Annual Bill
2016	\$19,225,737	7,745,478,270	8	25,607	<1	62.57
2015	17,742,869	7,393,233,339	-7	25,517	1	57.94
2014	19,117,427	7,211,408,481	-7	25,288	1	63.00
2013	20,562,217	7,477,628,784	1	25,153	3	68.12
2012	20,344,332	7,853,009,100	11	24,482	-1	69.25
2011	18,352,811	7,104,855,204	4	24,844	0	61.56
2010	17,615,641	6,899,569,074	-9	24,782	0	59.24
2009	19,308,068	7,721,691,147	-1	24,703	-10	65.13
2008	19,405,443	8,664,378,090	4	27,512	1	58.78
2007	18,633,564	8,134,870,215	9	27,486	-1	63.42
2006	17,160,764	7,478,932,152	21	27,512	2	51.98

(Source: The City.)

Average 2016 Monthly Water Charges Compared

<u>Sandy City</u>	<u>Salt Lake City</u>	<u>Draper City (Water Pro)</u>	<u>Murray City</u>	<u>South Jordan</u>
\$56.43	\$54.75	\$52.10	\$38.81	\$68.49

(Source: The City.)

Largest Users of Water for Fiscal Year 2016

<u>Water User</u>	<u>Water Used (in thousand gallons)</u>	<u>Percent of Total System Gallons</u>	<u>Annual Bill</u>	<u>Percent of Total System Revenues</u>
City ⁽¹⁾	507,882	6.870%	\$1,134,235	5.672%
Canyons School District	250,678	3.391	804,259	4.022
FM Group	109,973	1.488	439,489	2.198
Quarry Bend HOA	30,526	0.413	94,220	0.471
Salt Lake County	31,023	0.420	93,912	0.470
IHC Health Services	24,052	0.325	80,809	0.404
Crescentwood Village MH LLC	28,028	0.379	73,865	0.369
Becton Dickinson	14,656	0.239	72,812	0.364
Villas at Hidden Creek	20,368	0.276	70,164	0.351
LHM 1 st Co.	<u>18,768</u>	<u>0.254</u>	<u>67,782</u>	<u>0.339</u>
Total	1,035,954	14.055	2,931,547	14.661

⁽¹⁾ Includes water used for City-owned parks, golf course, cemetery, streetscapes, etc.

Billing and Collection Procedures

[Water customers are billed monthly with payment due in 20 days. Monthly interest of 1.5 percent is applied on past due amounts. When an account is 40 days and \$20 past due, a \$10 late fee is assessed. If, in 10 days, the City has not received at least the past due amount, water service is terminated and the customer is assessed a \$30 collection charge. Payment in full is necessary to restore water service.] *[Confirm]*

Management's Discussion and Analysis

[The following is an overview of the financial activities of the System for the fiscal years between the time period from July 1, 2008 through June 30, 2011.] [*To be updated*]

[The System currently has adequate liquid resources to meet its cash requirements. Cash and cash equivalents totaled \$11,180,656 (including amounts for debt service) at the end of fiscal year 2011. The cash and cash equivalents balance has not fallen below \$8,800,000 in the past several years. Cash and cash equivalents decreased in fiscal year 2010 by \$1,743,102 as a result of capital acquisitions.]

[The System receives revenue from several sources; however, charges for services remain the greatest contributor. While charges for services revenue decreased seven percent between fiscal years 2009 and 2010 after turning over 3,074 accounts to Midvale City with the sale of the Union Jordan system, this revenue increased four percent during fiscal year 2011 over fiscal year 2010.]

[At the end of fiscal year 2011, the System's only long-term obligation outstanding (the Refunded Bonds) was \$5,780,000. The System has not issued any other long-term debt since fiscal year 2005.]

[On May 1, 2001, the City entered into an interlocal agreement with Salt Lake City and MWDSLS. Under this agreement, the System is obligated to pay an estimated total of \$126,310,000 over 30 years to the MWDSLS for capital improvements to be conducted by MWDSLS. The City continues to meet its annual obligation of \$4,210,322. This assessment is part of Operation and Maintenance Expenses for the System in the "Historical Net Revenues and Projected Debt Service Coverage" table.]

[The System's investment in capital assets amounts to land, buildings, improvements other than buildings, distribution lines, wells, pumps, storage tanks, and machinery and equipment. During fiscal year 2011, the System's total capital assets increased \$224,838. During fiscal year 2011, the System completed \$8,864,790 of projects, started in previous years.]

Future System Financing Needs

[After the issuance of the Series 2017 Bonds, the City anticipates that it will finance future capital project needs or improvements to the System for the next five years through the normal capital budgeting process and excess System revenues.]

Historical Net Revenues and Projected Debt Service Coverage (By Fiscal Year)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
		<u>Historical</u>				<u>Projected</u>		
Revenues								
Charges for Services	\$21,529,436	\$20,006,607	\$18,655,969	\$20,201,364	\$20,908,412	\$21,640,206	\$22,397,613	
Fees from Developers	306,738	656,908	958,395	689,095	689,784	690,474	691,164	
Gain (Loss)								
on Sale of Assets	(1,491)	7,013	(312,087)	10,252	—	—	—	
Grants	—	—	—	282,000	—	—	—	
Other	493,673	239,762	463,907	426,289	426,715	427,142	427,569	
Total Revenues	22,328,356	20,910,290	19,766,184	21,609,000	22,024,911	22,757,822	23,516,346	
Operation and Maintenance Expenses								
Salaries and Benefits	1,892,266	1,879,107	1,573,789	1,969,217	2,028,294	2,089,142	2,151,817	
Costs of Water	5,824,092	6,299,563	6,148,712	5,903,167	6,080,262	6,262,670	6,450,550	
Metro Assessment	4,210,322	4,210,322	4,210,322	4,210,322	4,210,322	4,210,322	4,210,322	
Franchise Tax	1,276,842	1,194,367	1,104,116	1,196,689	1,254,505	1,298,412	1,343,857	
Other	<u>1,147,658</u>	<u>1,336,531</u>	<u>1,406,122</u>	<u>2,595,428</u>	<u>2,673,291</u>	<u>2,753,490</u>	<u>2,836,094</u>	
Total Operation and Maintenance Expenses	14,351,180	14,919,890	14,443,061	15,874,823	16,246,674	16,614,036	16,992,640	
Net Revenues Available for Debt Service	<u>\$7,977,176</u>	<u>\$5,990,400</u>	<u>\$5,323,123</u>	<u>\$5,734,177</u>	<u>\$5,778,237</u>	<u>\$6,143,786</u>	<u>\$6,523,706</u>	
Debt Service								
Ontario Drain Tunnel	982,859	988,040	1,006,729	1,016,457	1,016,457	1,017,092	1,017,092	
Series 2004 Bonds	372,521	368,199	372,621	372,483	—	—	—	
Series 2012 Bonds	170,299	174,800	174,000	173,200	543,650	545,250	545,250	
Series 2017 Bonds*	—	—	—	—	—	—	—	
Total Debt Service	1,525,679	1,531,039	1,553,350	1,562,140				
Debt Service Coverage	5.23	3.91	3.43	3.67				

* Preliminary; subject to change.

[To be confirmed and updated.]

(Source: The City and the Municipal Advisor.)

Five-Year Financial Summaries of the System

The summaries contained herein were extracted from the City's comprehensive annual financial reports for the fiscal years ended June 30, 2012 through June 30, 2016. The summaries are unaudited.

SANDY CITY
Statement of Net Position—Proprietary Funds—Water.
(This summary has not been audited.)

	Fiscal Year Ended June 30,				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$6,298,851	\$7,566,791	\$7,792,400	\$10,732,204	\$11,354,156
Receivables – Net	2,855,391	2,562,487	3,122,135	3,434,876	3,430,684
Due from other Governments	279,965	368,537	472,039	510,275	628,791
Inventories	<u>927,903</u>	<u>793,389</u>	<u>806,463</u>	<u>794,829</u>	<u>742,652</u>
Total Current Assets	10,362,110	11,291,204	12,193,037	15,472,184	16,156,283
Noncurrent Assets					
Net Pension Asset	–	830	–	–	–
Capital Assets					
Water Rights and Capacity	40,823,324	40,809,494	40,782,554	40,762,413	40,703,501
Land, Building, Plant & Equipment	164,078,099	159,591,307	155,024,802	143,686,334	137,623,567
Accumulated Depreciation	(81,464,255)	(75,573,709)	(69,591,508)	(64,049,588)	(59,232,987)
Construction in Progress	<u>665,083</u>	<u>447,626</u>	<u>302,747</u>	<u>2,992,820</u>	<u>2,048,540</u>
Total Noncurrent Assets	<u>124,102,251</u>	<u>125,275,548</u>	<u>126,518,595</u>	<u>123,391,979</u>	<u>121,142,621</u>
Total Assets	134,464,361	136,566,752	138,711,632	138,864,163	137,298,904
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Charges	375,097	419,961	464,703	509,445	696,366
Deferred Outflow of Resources					
Relating to Pensions	<u>759,727</u>	<u>415,243</u>	–	–	–
Total Deferred Outflows of Resources	1,134,824	835,204	464,703	509,445	696,366
LIABILITIES					
Current Liabilities					
Accounts Payable	857,980	1,812,400	1,412,426	889,945	1,069,396
Salaries and Benefits Payable	109,039	111,774	64,524	73,264	58,035
Accrued Interest Payable	16,600	18,571	20,585	22,665	29,290
Unearned Revenue	31,360	33,360	31,867	30,445	27,090
Deposits	755,530	755,188	771,060	684,957	764,910
Bonds Payable	415,000	405,000	390,000	370,000	320,000
Other Payables	<u>494,910</u>	<u>469,530</u>	<u>439,920</u>	<u>401,850</u>	<u>380,700</u>
Total Current Liabilities	2,680,419	3,605,823	3,130,382	2,473,126	2,649,421
Noncurrent Liabilities					
Net Pension Liability	1,025,782	659,135	–	–	–
Unamortized Bond Premium	211,628	236,940	262,183	287,426	–
Bonds Payable	3,780,000	4,195,000	4,600,000	4,990,000	5,687,670
Notes Payable	<u>10,562,310</u>	<u>11,057,220</u>	<u>11,526,750</u>	<u>11,966,670</u>	<u>12,368,520</u>
Total Noncurrent Liabilities:	<u>15,579,720</u>	<u>16,148,295</u>	<u>16,388,933</u>	<u>17,244,096</u>	<u>18,056,190</u>
Total Liabilities	18,260,139	19,754,118	19,519,315	19,717,222	20,705,611
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows of Resources					
Relating to Pensions	<u>380,954</u>	<u>372,533</u>	–	–	–
Total Deferred Inflows of Resources	<u>380,954</u>	<u>372,533</u>	–	–	–
NET POSITION					
Net Investment in Capital Assets	109,344,941	109,617,498	110,001,845	106,065,309	102,766,431
Unrestricted (Deficit)	<u>7,613,151</u>	<u>7,657,807</u>	<u>9,655,175</u>	<u>13,591,077</u>	<u>14,523,228</u>
Total Net Position	<u>\$116,958,092</u>	<u>\$117,275,305</u>	<u>\$119,657,020</u>	<u>\$119,656,386</u>	<u>\$117,289,659</u>

(Source: Information extracted from the City's 2012-2016 audited basic financial statements. This summary is unaudited.)

SANDY CITY
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds—Water
(This summary has not been audited.)

[To be added as needed; for discussion]

SANDY CITY

General Information

The City, incorporated in 1893, covers an area of approximately 22 square miles and is located in the southeast portion of the County. The City has approximately 93,613 residents according to the latest annual estimate (2015) of the U.S. Census Bureau which ranks the City as the 6th largest city in the State of Utah.

The City is a suburb of metropolitan Salt Lake City within the County and is the fifth city in a line of eight cities located directly south of Salt Lake City along Interstate Highway I-15. These cities constitute a portion of a continuous area of development from the north end of the County through the City. The City is approximately 15 miles from metropolitan Salt Lake City and can best be characterized as residential/suburban in nature since many City residents commute to work in Salt Lake City and other nearby business and industrial areas. Persons living within the boundaries of the City have the advantages of a smaller community in close proximity to the goods, services and educational, professional, and cultural opportunities of the larger metropolitan areas.

Form of Government

The City is organized under general law and governed by a Council-Mayor form of government, with seven Council members serving four-year terms (three of whom are elected at large and four of whom are elected from districts). The Mayor, who is elected at large by voters for a four-year term, is charged with the executive and administrative duties of the government. The City Council is charged with the responsibility of performing the legislative functions of the City.

The principal powers and duties of Utah 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 also regulate commercial and residential development within their boundaries by means of zoning ordinances, building codes and licensing procedures.

<u>Office</u>	<u>Person</u>	<u>Years of Service</u>	<u>Expiration of Term</u>
Mayor	Thomas M. Dolan	23	January 2018
Council Member, Chair	Stephen P. Smith	11	January 2018
Council Member	Maren Barker	2	January 2020
Council Member	Kristen Coleman-Nicholl	3	January 2018
Council Member	Scott L. Cowdell	27	January 2018
Council Member	Steven K. Fairbanks	12	January 2020
Council Member	Linda Martinez-Saville	21	January 2020
Council Member	Christopher K. McCandless	11	January 2020
Chief Administrative Officer	Scott J. Bond	—	Appointed
Director of Finance and Information Technology	Brian P. Kelley	—	Appointed
Deputy Director of Finance	Glade Jardine	3	Appointed
City Attorney	I. Robert Wall	3	Appointed
City Recorder	Molly B. Spira	17	Appointed
Director of Public Utilities	Thomas K. Ward	—	Appointed

Employee Workforce and Retirement System

The City currently employs approximately [488] full-time employees and [412] part-time and seasonal employees for a total employment of approximately [900] employees. The City is a member of the Utah State Retirement System. See “APPENDIX A—AUDITED BASIC FINANCIAL STATEMENTS OF SANDY CITY WITH INDEPENDENT AUDITORS’ REPORT FOR FISCAL YEAR ENDED JUNE 30, 2016—Notes to the Financial Statements, Note 12—Pension Plans” herein. The City reports that it has no post-employment benefit obligations.

FINANCIAL INFORMATION REGARDING SANDY CITY

Fund Structure; Accounting Basis

The accounting policies of the City conform to all generally accepted accounting principles for governmental units in general and the cities of the State in particular.

The accounts of the City are organized on the basis of funds or groups of accounts, each of which is considered to be a separate accounting entity. The operations of each fund or account group are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenues and expenditures or expenses. The various funds are grouped by type in the combined financial statements. See “APPENDIX A—AUDITED BASIC FINANCIAL STATEMENTS OF SANDY CITY WITH INDEPENDENT AUDITORS’ REPORT FOR FISCAL YEAR ENDED JUNE 30, 2016—Notes to the Financial Statements, Note 1—Summary of Significant Accounting Policies” herein.

Revenues and expenditures are recognized using the modified accrual basis of accounting in all governmental funds. Revenues are recognized in the accounting period in which they become both measurable and available. “Measurable” means that amounts can be reasonably determined within the current period. “Available” means that amounts are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues on cost-reimbursement grants are accrued when the related expenditures are incurred.

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 the Uniform Fiscal Procedures Act for Utah Cities (the “Fiscal Procedures Act”). Pursuant to the Fiscal Procedures Act, the budget officer of the City is required to prepare budgets for the general fund, special revenue funds, debt service funds and capital improvement funds. These budgets are to provide a complete financial plan for the budget (ensuing fiscal) year. Each budget is required to specify, in tabular form, estimates of anticipated revenues and appropriations for expenditures. Under the Fiscal Procedures Act, the total of anticipated revenues must equal the total of appropriated expenditures.

On or before the first regular meeting of the City Council of the City in May of each year, the budget officer is required to submit to the City Council tentative budgets for all funds for the fiscal year commencing July 1. Various actual and estimated budget data are required to be set forth in the tentative budgets. The budget officer may revise the budget requests submitted by the heads of City departments, but must file these submissions with the City Council together with the tentative budget. The budget officer is required to estimate in the tentative budget the revenue from non-property tax sources available for each fund and the revenue from general property taxes required by each fund. The tentative budget is then tentatively adopted by the City Council, with any amendments or revisions that the City Council deems advisable prior to the public hearing on the tentative budget. After public notice and hearing, the tentative budget is adopted by the City Council, subject to further amendment or revisions by the City Council prior to adoption of the final budget.

Prior to June 22 of each year, the final budgets for all funds are adopted by the City Council. The Fiscal Procedures Act prohibits the City Council from making any appropriation in the final budget of any fund in excess of the estimated expendable revenue of such fund. The adopted final budget is subject to amendment by the City Council during the fiscal year. However, in order to increase the budget total of any fund, public notice and hearing must be provided. Intra- and inter-department transfers of appropriation balances are permitted upon compliance with the Fiscal Procedures Act.

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 Council for the succeeding tax year.

Adoption of Ad Valorem Tax Levy

The governing body of each taxing entity shall, before June 22 of each year, adopt a proposed or, if the tax rate is not more than the certified tax rate, a final tax rate for the taxing entity. The governing body shall report the rate and levy, and any other information prescribed by rules of the county commission for the preparation, review, and certification of the rate, to the county auditor of the county in which the taxing entity is located.

Financial Controls

The City utilizes a computerized financial accounting system which includes a system of budgetary controls. State law requires budgets to be controlled by individual departments, but the City has also empowered the Director of Finance to maintain control by major categories within departments. These controls are such that a requisition will not be entered into the purchasing system unless the appropriated funds are available. The Director of Finance checks for sufficient funds again prior to the purchase order being issued and again before the payment check is issued. Voucher payments are also controlled by the Director of Finance for sufficient appropriations.

Risk Management

The City is exposed to various risks of loss including torts; workers compensation claims; theft, damage or destruction of assets; errors and omissions; and natural disasters. Insurance coverage for these risks is provided by several commercial insurance carriers. The general liability policy has a \$1,000,000 self-insured retention with a \$10,000,000 limit per occurrence. Workers compensation claims are covered by the Workers Compensation Fund. The City commercially insures real property and also insures fleet equipment with individual values in excess of \$40,000 and self-insures all other fleet equipment. For the last three years, claim settlements have not exceeded insurance coverage. As of the date of this Official Statement, all policies are current and in force. The City believes its risk management policies and coverages are normal and within acceptable coverage limits for the type of services the City provides. See “APPENDIX A—AUDITED BASIC FINANCIAL STATEMENTS OF SANDY CITY WITH INDEPENDENT AUDITORS’ REPORT FOR FISCAL YEAR ENDED JUNE 30, 2016—Notes to the Financial Statements, Note 19—Risk Management” herein.

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. The City has no investments in derivative or leveraged securities. A significant portion of City funds are invested in the Utah Public Treasurers' Investment Fund (the "Utah Treasurers' Fund"), as discussed herein.

The Utah Public Treasurers' Investment Fund. The Utah Treasurers' Fund is a public treasurers' investment fund, established in 1981, and is managed by the Treasurer of the State of Utah. The Utah Treasurers' Fund invests to ensure safety of principal, liquidity and a competitive rate of return on short-term investments. All moneys transferred to the Utah Treasurers' Fund are promptly invested in securities authorized by the Money Management Act. Safe-keeping and audit controls for all investments owned by the Utah Treasurers' Fund must comply with the Money Management Act.

All investments in the Utah Treasurers' Fund must comply with the Money Management Act and rules of the Money Management Council. The Utah Treasurers' Fund 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 Utah Treasurers' Fund 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.

By law, investment transactions are conducted only through certified dealers, qualified depositories or directly with issuers of the securities. All securities purchased are delivered via payment to the custody of the State Treasurer or the State Treasurer's safekeeping bank, assuring a perfected interest in the securities. Securities owned by the Utah Treasurers' Fund are completely segregated from securities owned by the State. The State has no claim on assets owned by the Utah Treasurers' Fund except for any investment of State moneys in the Utah Treasurers' Fund. Deposits are not insured or otherwise guaranteed by the State.

Securities in the Utah Treasurers' Fund include certificates of deposit, commercial paper, short-term corporate notes, obligations of the U.S. Treasury and securities of certain agencies of the U.S. Government. These short-term securities must be rated "first tier" ("A-1," "P1," for short-term investments and "A" or better for long-term investments) by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Service, Inc. or Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc. These securities represent limited risks to governmental institutions investing with the Utah Treasurers' Fund. Variable rate securities in the Utah Treasurers' Fund must have an index or rate formula that has a correlation of at least 94% of the effective Federal Funds rate.

Investment activity of the State Treasurer in the management of the Utah Treasurers' Fund is reviewed monthly by the Money Management Council and is audited by the State Auditor.

See "APPENDIX A—AUDITED BASIC FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT FOR FISCAL YEAR ENDED JUNE 30, 2016—Notes to the Financial Statements, Note 4—Cash and Cash Equivalents" and "—Note 5—Investments."

Moneys from the sale of obligations issued by the City or pledged to the payment therefor are also on deposit in funds and accounts of the City. Investment policies regarding such moneys are governed by the specific instruments pursuant to which such obligations were issued.

Sources of General Fund Revenues

Set forth herein are brief descriptions of the various sources of revenues available to the City's general fund. The percentage of total general fund revenues represented by each source is based on the City's audited financial statements for the fiscal year ended June 30, 2016.

Taxes: Approximately 72% of general fund revenues are from taxes (of this amount, approximately ___% are from property taxes, ___% from sales and use taxes, ___% from franchise taxes, and ___% from other taxes).

Intergovernmental Revenue: Approximately 7% of general fund revenues are from state shared revenues.

Licenses and Permits: Approximately 6% of general fund revenues are from licenses and permits.

Fines and Forfeitures: Approximately 3% of general fund revenues are collected from fines and forfeitures.

Charges for Services: Approximately 6% of general fund revenues are from charges for services.

Administrative Charges: Approximately 5% of general fund revenues are collected from administrative charges.

Miscellaneous Revenue: Approximately 1% of general fund revenues are from miscellaneous revenues, including interest income and income from a cell tower lease.

Five-Year Financial Summaries

The following tables set forth a summary of certain financial information regarding the City and have been extracted from the City's audited basic financial statements for the fiscal years ended June 30, 2012 through June 30, 2016. The following summaries are unaudited.

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SANDY CITY
Statement of Net Position
Governmental and Business-Type Activities
(This summary has not been audited.)

	Fiscal Year Ended June 30,				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
ASSETS:					
Cash and Cash Equivalents	\$50,664,822	\$54,973,309	\$42,509,017	\$42,184,312	\$47,328,223
Receivables - Net	20,997,387	18,027,469	17,780,305	18,526,944	17,890,269
Due from Other Governmental Units	1,098,525	1,042,312	1,369,223	1,223,884	1,752,615
Inventories	1,349,829	1,191,209	1,167,071	1,160,935	1,065,564
Prepaid Assets	59,017	49,820	43,117	44,773	59,050
Net Pension Asset	100,860	560,868	-	-	-
Temporarily Restricted Cash:					
Road Funds	947,160	371,345	476,502	897,173	565,247
Capital Projects	58,977,834	15,041,415	12,555,720	2,437,791	2,128,214
Debt Service	800,000	800,000	800,000	1,663,836	1,936,036
Investment in Joint Venture	6,810,610	6,512,315	6,472,534	6,066,755	5,895,241
Capital Assets (Net):					
Water Rights & Capacity	40,823,324	40,809,494	40,782,554	40,762,413	40,703,501
Land	248,255,977	246,919,654	243,538,114	236,367,775	228,237,064
Buildings & Systems	140,166,227	142,160,596	144,038,464	139,930,204	139,504,066
Improvements Other than Buildings	27,024,726	28,305,809	27,786,159	28,688,750	28,814,562
Vehicles	7,070,987	6,669,920	6,612,752	6,982,101	6,993,749
Machinery & Equipment	3,028,517	2,929,983	2,571,807	2,395,229	2,052,620
Infrastructure	141,204,384	138,232,937	133,435,190	131,762,245	129,559,377
Construction in Progress	<u>25,409,837</u>	<u>2,896,166</u>	<u>2,831,030</u>	<u>3,571,317</u>	<u>4,928,610</u>
Total Assets	774,790,023	707,494,621	684,769,559	664,666,437	659,414,008
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Charges	1,482,005	1,543,897	1,775,571	1,724,082	1,650,001
Deferred Outflow of Resources Relating to Pension	<u>10,139,736</u>	<u>2,911,935</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Deferred Outflows of Resources	11,621,741	4,455,832	1,775,571	1,724,082	1,650,001
LIABILITIES:					
Accounts Payable	7,114,989	4,945,755	4,708,465	3,487,439	2,485,057
Salaries & Benefits Payable	2,174,026	1,938,568	1,547,858	1,807,099	1,635,079
Accrued Interest Payable	1,318,401	730,731	787,884	1,263,308	1,330,790
Unamortized Interest Payable	5,449,310	945,468	1,086,995	1,228,523	509,565
Claims & Judgments Payable	553,770	554,491	398,427	229,341	385,176
Due to Other Governmental Units	679,350	748	689	2,948	101,772
Unearned Revenue	225,607	5,680,469	172,954	160,840	330,728
Customer Deposits	8,959,172	7,667,716	4,780,661	4,393,160	3,512,315
Noncurrent Liabilities					
Due within one year	8,103,458	7,895,078	7,306,468	6,083,398	5,728,865
Due in more than one year	110,855,335	77,225,642	84,921,943	85,197,247	90,671,925
Net Pension Liability	<u>15,026,141</u>	<u>10,278,373</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	160,459,559	117,863,039	105,712,344	103,853,303	106,691,272
DEFERRED INFLOWS OF RESOURCES					
Deferred Assessments	<u>11,745,244</u>	<u>11,296,357</u>	<u>8,202,505</u>	<u>8,372,997</u>	<u>8,343,951</u>
NET POSITION					
Invested in Capital Assets, Net of Related Debt	540,585,006	527,006,208	512,408,912	502,055,682	487,089,589
Restricted for:					
General	44,974	15,425	26,847	30,730	45,007
Debt Service	800,000	800,000	800,000	1,663,836	1,936,036
Capital Projects	35,766,710	15,041,415	12,528,549	2,437,791	2,128,214
Road Funds	947,160	371,345	476,502	897,173	565,247
Unrestricted	<u>36,063,112</u>	<u>39,194,221</u>	<u>46,029,015</u>	<u>47,079,007</u>	<u>54,264,693</u>
Total Net Position	<u>\$614,206,962</u>	<u>\$582,428,614</u>	<u>\$572,269,825</u>	<u>\$554,164,219</u>	<u>\$546,028,786</u>

(Source: Information extracted from the City's 2012-2016 audited basic financial statements. This summary is unaudited.)

SANDY CITY
Statement of Revenues, Expenditures and Changes in Fund Equity—Governmental Funds
(This summary has not been audited.)

	Fiscal Year Ended June 30,				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
REVENUES:					
Taxes	\$38,163,957	\$36,458,499	\$36,335,864	\$35,986,486	\$33,896,297
Licenses and permits	3,308,440	2,666,587	2,524,358	2,301,985	1,880,210
Intergovernmental	3,512,339	3,310,783	3,161,825	3,255,996	3,178,140
Administrative Charges	2,924,933	2,923,855	2,820,241	2,644,630	2,484,486
Fines and forfeitures	1,625,174	1,795,059	1,877,073	2,133,901	2,453,896
Cell Tower Lease	451,397	581,883	464,277	445,587	431,024
Charges for Sales and Services	3,076,760	3,539,953	3,585,168	3,202,051	3,042,923
Interest Income	95,343	76,976	111,223	15,957	37,414
Miscellaneous	<u>108,047</u>	<u>51,012</u>	<u>83,802</u>	<u>102,233</u>	<u>108,216</u>
Total Revenues	53,266,390	51,404,607	50,963,831	50,088,826	47,512,606
EXPENDITURES:					
General government	10,057,805	10,060,720	10,306,645	9,219,376	8,802,602
Police and Animal Control	14,677,551	14,461,284	14,017,471	13,587,799	12,926,144
Fire	9,378,550	8,593,283	8,573,141	7,959,869	7,499,611
Public Works	4,832,153	5,274,022	5,978,374	5,703,689	5,233,245
Parks, Landscapes & Cemetery	4,695,031	4,578,847	4,203,687	3,994,120	3,811,175
Community Development	<u>2,548,395</u>	<u>2,427,338</u>	<u>2,284,304</u>	<u>2,173,104</u>	<u>2,124,082</u>
Total Expenditures	<u>46,189,485</u>	<u>45,395,494</u>	<u>45,363,622</u>	<u>42,637,957</u>	<u>40,396,859</u>
Excess of revenue over expenditures	<u>7,076,905</u>	<u>6,009,113</u>	<u>5,600,209</u>	<u>7,450,869</u>	<u>7,115,747</u>
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	—	—	—	1,000	—
Transfers in	—	86,008	—	—	—
Transfers out	<u>(6,853,251)</u>	<u>(6,057,623)</u>	<u>(5,861,892)</u>	<u>(6,804,615)</u>	<u>(6,813,073)</u>
Total Other Financing Sources	(6,853,251)	(5,971,615)	(5,861,892)	(6,803,615)	(6,813,073)
Net Change in Fund Balances	223,654	37,498	(261,683)	647,254	302,674
Fund balances - beginning of year	<u>5,926,955</u>	<u>5,889,457</u>	<u>6,151,140</u>	<u>5,503,886</u>	<u>5,201,212</u>
Fund balances - end of year	<u>\$6,150,609</u>	<u>\$5,926,955</u>	<u>\$5,889,457</u>	<u>\$6,151,140</u>	<u>\$5,503,886</u>

(Source: Information extracted from the City's 2012-2016 audited basic financial statements. This summary is unaudited.)

Outstanding Obligations of the City

The following is a list of the City’s outstanding obligations as of March 1, 2017:

Outstanding Water Revenue Bonds

<u>Series</u>	<u>Purpose</u>	<u>Original Principal Amount</u>	<u>Final Maturity Date</u>	<u>Current Principal Amount Outstanding</u>
2017 ⁽¹⁾	System Improvements	\$ _____	July 15, 20__*	\$ _____
2012	Refunding	4,330,000	November 15, 2024	<u>3,780,000</u>
Total				<u>\$</u>

⁽¹⁾ For purposes of this Official Statement the Series 2017 Bonds are considered issued and outstanding.
 * Preliminary; subject to change.

Outstanding Sales Tax Revenue Bonds

<u>Series</u>	<u>Purpose</u>	<u>Original Principal Amount</u>	<u>Final Maturity Date</u>	<u>Current Principal Amount Outstanding</u>
2015	Theater	\$41,545,000	March 1, 2036	\$41,545,000
2013A	Refunding	6,780,000	June 15, 2019	4,060,000
2013B	Land Purchase for Street	6,385,000	December 15, 2020	3,357,000
2013C	Refunding	10,816,000	July 15, 2029	8,904,000
2012	Refunding	3,920,000	March 15, 2024	3,395,000
2010	Refunding	7,070,000	September 15, 2022	1,845,000
2009	Storm Drain	7,140,000	September 15, 2029	<u>5,095,000</u>
Total				<u>\$68,201,000</u>

Redevelopment Agency of Sandy City

Outstanding Redevelopment Agency Bonds (as of March 1, 2017)

<u>Series</u>	<u>Purpose</u>	<u>Original Principal Amount</u>	<u>Final Maturity Date</u>	<u>Current Principal Amount Outstanding</u>
2013	Land/infrastructure for soccer stadium	\$30,735,000	July 15, 2027	<u>\$26,565,000</u>

⁽¹⁾ [Add note re security.]

Future Bond Issues

[The City has no current plans to issue any Additional Bonds under the Indenture for the next three years. The City reserves the right to issue Additional Bonds as capital needs may require.]

Other Financial Considerations

The City has entered into various agreements to finance its capital needs. See “APPENDIX A—AUDITED BASIC FINANCIAL STATEMENTS OF SANDY CITY WITH INDEPENDENT AUDITORS’ REPORT FOR FISCAL YEAR ENDED JUNE 30, 2016—Notes to the Financial Statements, Note 11—Long-term Liabilities—Notes Payable” and “—Contracts Payable” herein.

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 2017 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 2017 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 2017 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 2017 Bonds.

Opinion of Bond Counsel

In the opinion of Gilmore & Bell, P.C., Bond Counsel, under the law currently existing as of the issue date of the Series 2017 Bonds:

Federal Tax Exemption. The interest on the Series 2017 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. Interest on the Series 2017 Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

Bond counsel’s opinions are provided as of the date of the original issue of the Series 2017 Bonds, subject to the condition that the Issuer comply 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 2017 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 such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series 2017 Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2017 Bonds.

State of Utah Tax Exemption. The interest on the Series 2017 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 2017 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 (“OID”) is the excess of the stated redemption price at maturity of a Series 2017 Bond over its issue price. The issue price of a Series 2017 Bond is the first price at which a substantial amount of the Series 2017 Bonds of that maturity have been sold (ignoring sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement

agents, or wholesalers). Under Section 1288 of the Code, OID on tax-exempt bonds accrues on a compound basis. The amount of OID that accrues to an owner of a Series 2017 Bond during any accrual period generally equals (1) the issue price of that Bond, plus the amount of OID accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that 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 Bond during that accrual period. The amount of OID 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 2017 Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of OID.]

[Original Issue Premium. If a Series 2017 Bond is issued at a price that exceeds the stated redemption price at maturity of the Series 2017 Bond, the excess of the purchase price over the stated redemption price at maturity constitutes "premium" on that Series 2017 Bond. Under Section 171 of the Code, the purchaser of that Series 2017 Bond must amortize the premium over the term of the Series 2017 Bond using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the owner's basis in the Series 2017 Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner. This 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 2017 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 2017 Bond, an owner of the Series 2017 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 2017 Bond (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the Series 2017 Bond. To the extent a Series 2017 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 2017 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 2017 Bonds, and to the proceeds paid on the sale of the Series 2017 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 2017 Bonds should be aware that ownership of the Series 2017 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 2017 Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Series 2017 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 2017 Bonds, including the possible application of state, local, foreign and other tax laws.

NO DEFAULTED BONDS

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

INDEPENDENT AUDITORS

The basic financial statements of the City as of June 30, 2016, and for the year then ended, contained in APPENDIX A to this Official Statement, have been audited by Piercy, Bowler, Taylor and Kern ("Piercy Bowler")

independent auditors, as set forth in their report included in “APPENDIX A” hereto. Piercy Bowler has not been asked to consent to the use of its name, audited financial statements and report in this Official Statement.

Copies of the City’s comprehensive annual financial report may be obtained upon request from the City’s Accounting Division, 10000 Centennial Parkway, Sandy, Utah 84070.

CONTINUING DISCLOSURE

The City has undertaken for the benefit of the Bondholders and the beneficial owners of the Series 2017 Bonds to provide certain annual financial information and operating data and notice of certain material events to the Municipal Securities Rulemaking Board all in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission. See “APPENDIX D” attached hereto and incorporated herein by reference for a form of the Continuing Disclosure Agreement that will be executed and delivered by the City.

The City has represented that it is in compliance with each and every continuing disclosure agreement and undertaking previously entered into by it pursuant to the Rule. A failure by the City to comply with the Continuing Disclosure Agreement will not constitute a default under the Indenture and beneficial owners of the Series 2017 Bonds are limited to the remedies described in the Continuing Disclosure Agreement. See “APPENDIX D—FORM OF CONTINUING DISCLOSURE AGREEMENT—Default.” A failure by the City to comply with the Continuing Disclosure Agreement 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 2017 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2017 Bonds and their market price.

UNDERWRITING

_____, as the underwriter of the Series 2017 Bonds (the “Underwriter”), has agreed, subject to certain conditions, to purchase all of the Series 2017 Bonds from the City at a purchase price of \$_____ (being the par amount thereof [plus/less] a [net] original issue premium less an underwriter’s discount of \$_____) and to make a public offering of the Series 2017 Bonds. The Series 2017 Bonds may be offered and sold to certain dealers (including dealers depositing the Series 2017 Bonds into investment trusts) at prices lower than the initial public offering prices set forth on the cover page of this Official Statement and such public offering prices may be changed from time to time.

Although the Underwriter expects to maintain a secondary market in the Series 2017 Bonds after the initial offering, no guarantee can be given concerning the future existence of such a secondary market or its maintenance by the Underwriter or others.

RATING

_____ has assigned its municipal bond rating of _____ to the Series 2017 Bonds.

Any explanation of the significance of the rating should be obtained from the rating agency furnishing the same. There is no assurance that the rating given to the Series 2017 Bonds will be maintained for any period of time or that the 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 2017 Bonds.

LITIGATION

A non-litigation certificate issued by the City Attorney, dated the date of closing, will be provided stating, among other things, that to the best of his knowledge, after due inquiry, 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, has been served on the City or is 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 2017 Bonds or for

the purpose of restraining or enjoining the levy and collection of taxes by the City, or directly or indirectly contesting or affecting the proceedings or the authority by which the Series 2017 Bonds are issued or the validity of the Series 2017 Bonds or the issuance thereof.

[The City Attorney reports that several lawsuits have been filed against the City and/or its employees, involving contract, tort and civil rights matters. The City has a statutory obligation to defend and indemnify its officers and employees for lawsuits arising from acts of the employee while in the scope and course of employment. In the event the fund is not sufficient to pay any outstanding judgment or judgments, the City has the ability under Utah law to levy a limited ad valorem tax to pay such judgments. This tax levy is separate and apart from the other taxing powers of the City.]

MUNICIPAL ADVISOR

The City has engaged Lewis Young Robertson & Burningham, Inc. Salt Lake City, Utah (the “Financial Advisor”), to provide financial recommendations and guidance to the City with respect to preparation for sale of the Series 2017 Bonds, timing of sale, tax-exempt bond market conditions, costs of issuance and other factors relating to the sale of the Series 2017 Bonds. The Financial Advisor has read and participated in the drafting of certain provisions of this Official Statement. The Financial 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 Financial Advisor respecting accuracy and completeness of the Official Statement or any other matters related to the Official Statement. Financial Advisor fees are contingent upon the sale and delivery of the Series 2017 Bonds.

LEGAL MATTERS

The authorization and issuance of the Series 2017 Bonds is subject to the approval of legality by Gilmore & Bell, P.C., Bond Counsel to the City. Certain legal matters will be passed upon for the City by I. Robert Wall, Esq., City Attorney. The approving opinion of Bond Counsel will be delivered with the Series 2017 Bonds. A copy of the form of the opinion of Bond Counsel is set forth in “APPENDIX E” of this Official Statement.

MISCELLANEOUS

All quotations from and summaries and explanations of the Utah Constitution, statutes, programs, laws of the State of Utah, court decisions, and the Indenture, which are contained herein, do no 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.

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

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.

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

SANDY CITY, UTAH

By: _____
Mayor

APPENDIX A

**AUDITED BASIC FINANCIAL STATEMENTS OF SANDY CITY
WITH INDEPENDENT AUDITORS' REPORT FOR FISCAL YEAR ENDED JUNE 30, 2016**

APPENDIX B

**DEMOGRAPHIC AND ECONOMIC
INFORMATION REGARDING THE CITY AND SALT LAKE COUNTY**

The following paragraphs in this appendix contain information with respect to Sandy City and Salt Lake County.

THE CITY

City Population

<u>Year</u>	<u>Population</u>	<u>Percent Change</u>
2015 Estimate	93,613	1.49%
2014 Estimate	92,240	0.88
2013 Estimate	91,431	0.86
2012 Estimate	90,647	0.99
2011 Estimate	89,762	2.63
2010 Census	87,461	–

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 in the City

The following table summarizes the value of permit authorized construction for the City for the years shown for both residential and commercial construction.

	<i>Calendar Year</i>				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
New Dwelling Units	771	831	526	818	113
New Residential Value (\$000)	79,080.7	217,460.3	52,646.8	84,530.3	22,077.7
New Nonresidential Value (\$000)	65,943.0	93,479.8	5,804.1	8,624.7	10,032.5
Additions/Alterations/Repairs Residential Value (\$000)	3,149.6	2,886.7	4,126.4	2,803.6	7,738.0
Additions/Alterations/Repairs Nonresidential Value (\$000)	41,477.9	11,021.9	14,661.3	15,639.9	16,287.3
Total Construction (\$000)	189,651.2	324,848.7	77,238.6	111,598.5	56,135.5

(Source: University of Utah Bureau of Economic and Business Research.)

THE COUNTY

The following demographic information is provided solely as background information regarding Salt Lake County (the "County"), the general area in which the City is located. The County is the economic and population center of the State. Based on 2010 Census data, the County has approximately 37% of the total population of the State. The State capital, Salt Lake City, is located in the County.

Economic Indicators in the County

LABOR FORCE (1)	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Labor Force (annual average)	589,256	577,571	571,229	557,101	546,644
Employed (annual average)	569,865	556,398	545,729	527,698	510,425
Unemployed (annual average)	19,391	21,173	25,500	29,403	36,219
Average Employment (Non-Farm Jobs)	661,297	639,466	624,309	603,919	583,010
% Change Prior Year	3.41	2.43	3.38	3.59	2.06
<i>Average Employment by Sector:</i>					
Agriculture, Forestry, Fishing & Hunting	192	179	194	213	217
Mining	2,696	2,948	3,399	3,652	3,220
Utilities	2,697	2,617	2,593	2,716	2,711
Construction	33,667	31,844	30,814	30,727	29,702
Manufacturing	53,410	52,453	52,616	52,554	51,227
Wholesale Trade	31,414	30,546	30,758	31,158	29,969
Retail Trade	69,718	67,573	66,700	64,437	61,153
Transportation and Warehousing	37,264	34,652	33,991	33,179	32,376
Information	18,292	18,474	18,265	17,761	16,567
Finance and Insurance	43,847	41,492	40,114	38,151	37,704
Real Estate and Rental and Leasing	9,840	9,611	9,294	9,166	9,010
Professional, Scientific & Technical Services	49,454	46,800	44,135	40,811	38,201
Management of Companies and Enterprises	16,622	16,558	16,319	16,101	15,664
Administrative, Support, Waste Management, & Remediation	50,537	48,471	46,631	43,587	41,823
Education Services	60,798	59,409	56,651	53,899	52,081
Health Care and Social Assistance	73,783	71,321	70,073	67,351	65,889
Arts, Entertainment, and Recreation	8,846	8,524	8,085	7,848	7,468
Accommodation and Food Services	47,803	46,214	44,774	42,524	40,787
Other Services and Unclassified Establishments	20,968	20,331	19,568	18,754	18,130
Public Administration	29,539	29,630	29,532	29,540	29,330
Total Establishments	41,519	40,040	38,702	36,826	35,890
Total Wages (\$Millions)	32,691.89	30,469.01	28,858.15	27,727.61	25,917.21

Continued on next page . . .

Economic Indicators (continued)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
INCOME AND WAGES					
Total Personal Income (\$000) (2)	\$49,488,031	\$46,634,482	\$44,302,371	\$43,101,775	\$40,204,993
Per Capita Income (2)	44,692	42,671	40,977	42,671	44,692
Median Household Income (2)	65,549	62,536	61,716	59,626	59,168
Average Monthly Nonfarm Wage (1)	\$4,120	\$3,971	\$3,852	\$3,826	\$3,705
SALES & CONSTRUCTION					
Gross Taxable Sales (3)	\$24,256.5M	\$22,941.0M	\$21,986.1M	\$21,387.8M	\$19,879.6M
New Dwelling Units (4)	6,053	6,066	5,228	2,934	2,406
Total Construction Value (\$000) (4)	2,059,529.2	1,966,763.8	1,583,876.4	1,589,472.9	1,561,759.6
New Residential Value (\$000) (4)	1,028,601.8	1,052,539.4	906,737.9	634,610.4	478,994.2
New Nonresidential Value (\$000) (4)	595,273.5	467,928.3	407,459.1	608,593.5	624,547.0

(Sources: (1) Utah Department of Workforce Services; (2) U.S. Department of Commerce, Bureau of Economic Analysis, last updated December 15, 2016; (3) Utah State Tax Commission; (4) University of Utah Bureau of Economic and Business Research.)

Rate of Unemployment – Annual Average

<u>Year</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2016	3.2%	3.4%	4.9%
2015	3.3	3.5	5.3
2014	3.7	3.8	6.2
2013	4.2	4.4	7.4
2012	5.2	5.4	8.1
2011	6.6	6.8	8.9

(Source: Utah Department of Workforce Services and the U.S. Department of Labor.)

Major Employers

The following is a list of some of the largest employers in the County.

<i>Company</i>	<i>Industry</i>	<i>Employment</i>
University of Utah	Higher Education	15,000-19,999
Intermountain Health Care	Health Care	15,000-19,999
State of Utah	State Government	10,000-14,999
Granite School District	Public Education	7,000-9,999
University of Utah Health Care	Health Care	7,000-9,999
Jordan School District	Public Education	7,000-9,999
Salt Lake City	Local Government	5,000-6,999
Wal-Mart	Warehouse Clubs & Supercenters	4,000-4,999
The Canyons School District	Public Education	4,000-4,999
US Government, excl. post office & VA	Federal Government	4,000-4,999
Delta Airlines	Air Transportation	3,000-3,999
Salt Lake City School District	Public Education	3,000-3,999
Salt Lake City	Local Government	3,000-3,999
Zions Bank	Banking	3,000-3,999
Smith's Marketplace	Grocery Store	3,000-3,999
L3 Communications	Communications Equipment Mfg	3,000-3,999
Salt Lake Community College	Higher Education	3,000-3,999
Discover	Consumer Lending	3,000-3,999
U. S. Postal Service	Federal Government	3,000-3,999
United Parcel Service	Courier & Express Delivery	2,000-2,999
VA Medical Center	Health Care/Federal Government	2,000-2,999
Wells Fargo Bank	Banking	2,000-2,999
ARUP Laboratories	Medical Laboratory	2,000-2,999
CR England	Trucking	2,000-2,999
Skywest Airlines	Air Transportation	2,000-2,999
JetBlue Airways	Travel Reservation Services	2,000-2,999
Kennecott Utah Copper	Metal Manufacturing/Mining	2,000-2,999
Harmons	Grocery Store	1,000-1,999
Utah Transit Authority	Public Urban Transit	1,000-1,999
Convergys	Telephone Call Center	1,000-1,999
Dental Select	Medical Insurance	1,000-1,999
eBay	Online Auctions Retail	1,000-1,999
Goldman Sachs	Financial Services	1,000-1,999
Home Depot	Home Centers	1,000-1,999
Fidelity Brokerage Services	Financial Services	1,000-1,999
Larry H. Miller Arena and Movie Theatres	Entertainment	1,000-1,999
Price's Guaranteed Doors	Building Material Dealers	1,000-1,999
Overstock.com	Electronic Shopping	1,000-1,999
St. Marks Hospital	Health Care	1,000-1,999
Merit Medical Systems	Surgical & Medical Instrument	1,000-1,999
Grand America / Little America Hotels	Acommodations	1,000-1,999
Innovative Staffing	Employment Services	1,000-1,999
Costco	Warehouse Clubs & Supercenters	1,000-1,999
Verizon Wireless	Telecommunications	1,000-1,999
Xerox Commercial Solutions	Data Processing and Hosting	1,000-1,999

(Source: Utah Department of Workforce Services.)

APPENDIX C

EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE

The following are extracts of certain provisions contained in the General Indenture and the Third Supplemental Indenture, and are not to be considered as a full statement thereof. Reference is made to the General Indenture and the Third Supplemental Indenture, for full details of all of the terms of the Series 2017 Bonds, the security provisions appertaining thereto and the definition of any terms used but not defined in this Official Statement. A copy of the General Indenture and Third Supplemental Indenture is available upon written request from the contact person as indicated under “INTRODUCTION—Contract Persons” above. [*Check for Indenture changes/conformity*]

Definitions

As used in the Indenture, the following terms shall have the following meanings unless the context otherwise clearly indicates:

“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.

“Act” means the Utah Municipal Bond 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 Rebutable 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, Director of Finance, City Treasurer or any other officer of the Issuer so designated in writing by the Issuer to the Trustee.

“Average Aggregate Annual Debt Service Requirement” means the total of all Aggregate Annual Debt Service Requirements divided by the total Bond Fund Years of the Bonds Outstanding or any specified portion thereof.

“Bond Fund” means the Sandy City, Utah Water Revenue Bond Fund created in the Indenture to be held by the Trustee and administered pursuant to the Indenture.

“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 in the Indenture authorized according to the registration books of the Issuer maintained by the Trustee as 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 (i) any day (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 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 designating them as Capital Appreciation 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.

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

“Commercial Paper Program” means commercial paper obligations with maturities of not more than two hundred seventy (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 Fund” means the Sandy City, Utah Water Revenue Construction Fund created in the Indenture to be held by the Trustee and administered pursuant to the Indenture.

“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, 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 the refunding of any bonds, 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) interest expenses, including interest on the Series of Bonds relating to a Project;
- (f) printing, engraving and other expenses of financing, fees of financial rating services and costs of issuing the Series of Bonds (including costs of interest rate caps and costs related to Interest Rate Swaps (or the elimination thereof));
- (g) costs, fees and expenses in connection with the acquisition of real and personal property or rights therein, including premiums for title insurance;
- (h) costs of furniture, fixtures, and equipment purchased by the Issuer and necessary to construct a Project;
- (i) amounts required to repay temporary or bond anticipation loans or notes made to finance the costs of a Project;

(j) cost of site improvements performed by the Issuer in anticipation of a Project;

(k) moneys necessary to fund the funds created under the Indenture;

(l) 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 in the Indenture provided, 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, and of any other cost of issuance of a Series of Bonds or other securities, Security Instrument Costs and Reserve Instrument Costs;

(m) costs of amending any indenture or other instrument authorizing the issuance of or otherwise appertaining to a Series of Bonds;

(n) 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

(o) 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, the items listed in (c), (e), (f), (i), (k), (l), (m) and (o) above, advertising and other expenses related to the redemption of such bonds to be redeemed and the redemption price of such bonds (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 portion 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 Bonds or other obligations if the proceeds of such Cross-over Refunding Bonds are irrevocably deposited in escrow in satisfaction of the requirements of Section 11-27-3, Utah Code, 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 issuing Additional Bonds under the Indenture,

(1) when calculating interest payable during such Bond Fund Year for 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 the 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);

(2) when calculating interest payable during such Bond Fund Year for 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;

(3) when calculating interest payable during such Bond Fund Year for 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 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;

(4) when calculating interest payable during such Bond Fund Year with respect to 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); and

(5) When calculating interest payable on Bonds that are 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 further provided, that there shall be excluded from Debt Service (x) 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, (y) 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 Section 11-27-3, Utah Code, as amended, 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 (z) 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 Sandy City, Utah Revenue Debt Service Reserve Fund created in the Indenture to be held by the Trustee and administered pursuant to 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 Bonds is issued to refund only a portion and not all of the then Outstanding Bonds of any other Series of Bonds 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 Bonds and the portion of such Additional

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 provided 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 Section 11-27-3, Utah Code, 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 with respect to any default or event of default under the Indenture any occurrence or event specified in and defined by the Indenture.

“Fitch” means Fitch Ratings.

“Governing Body” means the City Council 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 Sandy 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 may also include any Deputy Mayor except as such 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.

“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 costs of purchased water and any corresponding capital assessments from the Metropolitan Water District of Salt Lake and Sandy, cost of audits hereinafter required, 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 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.

“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 10 East South Temple, 12th Floor, 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 amount of 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, and/or renovation of the System, or 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 engineer or firm of such engineers or architects and engineers generally recognized to be qualified in engineering matters relating to construction and maintenance of municipal water 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 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 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 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 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 funds 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.

“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 either 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 Sandy City, Utah Water Revenue Rebate Fund created in the Indenture to be held by the Trustee and administered pursuant to the Indenture.

“Register” means the record of ownership of Bonds issued under the Indenture 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 Sandy City, Utah Water Revenue Repair and Replacement Fund created in the Indenture to be held by the Issuer and administered pursuant to the Indenture.

“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 pursuant to the Indenture under all Reserve Instruments.

“Reserve Instrument Fund” means the Sandy City, Utah Water Revenue Reserve Instrument Fund created in the Indenture to be held by the Trustee and administered pursuant to the Indenture.

“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 Sandy City, Utah Water Revenue Fund created in the Indenture to be held by the Issuer and administered pursuant to the Indenture.

“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 authenticated and delivered on original issuance and 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 Sandy City, Utah Water Revenue Sinking Fund Account of the Bond Fund created in the Indenture to be held by the Trustee and administered pursuant to the Indenture.

“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 provisions of 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.

“System” means the Issuer’s water, 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.

“Trustee” means Zions First National Bank, 10 East South Temple, 12th Floor, Salt Lake City, Utah, 84130 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.

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.

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 (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 by the Indenture 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.

Issuance of Additional Bonds. No additional indebtedness, bonds or notes of the Issuer secured by a pledge of the Revenues senior to the pledge of Net Revenues for the payment of the Bonds and the Security Instrument Repayment Obligations in the Indenture authorized shall be created or incurred without the prior written consent of the Owners of 100% of the Outstanding Bonds and the Security Instrument Issuers. In addition, no Additional Bonds or other indebtedness, bonds or notes of the Issuer payable on a parity with the Bonds and the Security Instrument Repayment Obligations in the Indenture authorized out of Net Revenues shall be created or incurred, unless the following requirements have been met:

(a) No Event of Default shall have occurred and be continuing under the Indenture on the date of authentication of any Additional Bonds. This shall not preclude the issuance of Additional Bonds if (i) the issuance of such Additional Bonds otherwise complies with the provisions of the Indenture and (ii) such Event of Default will cease to continue upon the issuance of Additional Bonds and the application of the proceeds thereof; and

(b) A certificate shall be delivered to the Trustee by an Authorized Representative to the effect that the Net Revenues for any Year in the 24 months immediately preceding the proposed date of issuance of such Additional Bonds were at least equal to 110% of the sum of the Aggregate Annual Debt Service Requirement on all Bonds Outstanding for said Year; and

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

(c) In the case of Additional Bonds issued to finance a Project, the Issuer shall have delivered to the Trustee a certificate from a Qualified Engineer:

(i) setting forth the Estimated Net Revenues as in the Indenture described (assuming, if applicable, the completion of the Project, or any portion thereof, financed with proceeds of the Additional Bonds) either:

(A) for each of the two Bond Fund Years succeeding the latest estimated date of completion of the Project, or any portion thereof, if proceeds of the Additional Bonds are used to fund interest during the construction period, or

(B) if (A) is not the case, for the then current Bond Fund Year and each succeeding Bond Fund Year to and including the second Bond Fund Year succeeding the latest estimated date of completion of the Project, or any portion thereof; and

(ii) verifying that the Estimated Net Revenues as shown in (i) above for each of such Bond Fund Years are not less than 110% of the Aggregate Annual Debt Service Requirement for each of such Bond Fund Years with respect to all of the Bonds and Additional Bonds which would then be Outstanding (after taking into account any principal reductions resulting from regularly scheduled principal or sinking fund redemption payments) and the Additional Bonds so proposed to be issued.

For purposes of the Indenture, "Estimated Net Revenues" shall be determined by the Qualified Engineer as follows:

(A) The total Net Revenues of the System for any Year in the 24 months immediately preceding the authentication and delivery of the Additional Bonds shall first be determined. For purposes of these calculations, Revenues may be adjusted to give full effect to rate increases implemented prior to the issuance of the Additional Bonds.

(B) Next, the additional Net Revenues, if any, resulting from the Project, or any portion thereof, financed with the proceeds of the Additional Bonds will be estimated by the Qualified Engineer for the applicable Bond Fund Years as determined in Section 1.1(c)(i)(A) or (B) above.

(C) The Estimated Net Revenues will be the sum of the Net Revenues as calculated in (A) above, plus 80% of the estimated additional Net Revenues as calculated in (B) above.

(d) All payments required by the Indenture to be made into the Bond Fund must have been made in full, and there must be on deposit in each account of the Debt Service Reserve Fund (taking into account any Reserve Instrument coverage) the full amount required to be accumulated therein at the time of issuance of the Additional Bonds; and

(e) The proceeds of the Additional Bonds must be used (i) to refund Bonds issued under the Indenture or other obligations of the Issuer (including the funding of necessary reserves and the payment of costs of issuance) and/or (ii) to finance or refinance a Project (including the funding of necessary reserves and the payment of costs of issuance).

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 law, indebtedness having a lien on Net Revenues subordinate to that of the Bonds and Repayment Obligations.

Special Funds and Accounts

Use of 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 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 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, 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 therein 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 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 Construction Fund or to inquire into the purposes for which disbursements are being made from the 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 the Indenture 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 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 the Indenture, any balance remaining in the applicable account in the Construction Fund relating to such Project shall, as directed by an Authorized Representative of the Issuer, be deposited in the Bond Fund, to be applied, (i) toward the redemption of the Series of Bonds issued to finance such Project or (ii) to pay principal and/or interest next falling due with respect to such Series of Bonds.

(g) The Trustee shall, to the extent there are no other available funds held under the Indenture, use the remaining funds in the Construction Fund to pay principal and interest on the Bonds at any time in the event of a payment default under the Indenture.

Application of Revenues.

(a) All Revenues 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 to be 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, i.e., from the Net Revenues, the Issuer shall, at least fifteen days before each Interest Payment Date, transfer and deposit into the Bond Fund from the Revenue 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 allocate to the Revenue Fund to pay interest on the Bonds); plus

(ii) the principal and premium, if any, falling due on the next succeeding principal payment date established for the Bonds; plus

(iii) the Sinking Fund Installments, if any, falling due on the next succeeding Sinking Fund Installment 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. The foregoing provisions may be revised by a Supplemental Indenture for any Series of Bonds having other than semiannual Interest Payment Dates.

(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 accounts in the Debt Service Reserve Fund any amounts required by the Indenture 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 in the Indenture and in any Supplemental Indenture and (B) if funds 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, the Issuer shall deposit Net Revenues in such account(s) in the Debt Service Reserve Fund 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 the Indenture) of remaining Net Revenues if less than the amount necessary; and

(ii) Equally and ratably to the accounts of the Reserve Instrument Fund, with respect to all Reserve Instruments which are in effect and are expected to continue in effect after the end of such month, such amount of the remaining Net Revenues, or a ratable portion (based on the amount to be transferred pursuant to the Indenture) of the amount so remaining if less than the 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, in order 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 by the Indenture 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 (or, after the issuance of Additional Bonds, the amount required to be on deposit therein), 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 the Indenture have been made until there is on deposit in the Repair and Replacement Fund an amount equal to the Repair and Replacement Reserve Requirement. Subject to the provisions in the Indenture, 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) Subject to making the foregoing deposits, the Issuer may use the balance of the Net Revenues accounted for in the Revenue Fund for any of the following:

- (i) redemption of Bonds;
- (ii) refinancing, refunding, or advance refunding of any Bonds; or
- (iii) for 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 Construction Fund to the extent required by or directed pursuant to the Indenture 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 provided in the Indenture; 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 the Indenture 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 Principal Installment due 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 by the Indenture 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 the Indenture 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 therein, 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 therein under the Indenture, 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 funds 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 Instruments applicable to such Series are in effect, the Trustee shall immediately make a demand for payment on such Reserve Instruments, to the maximum extent authorized by such Reserve Instruments, 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 are 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 an approving opinion of bond counsel to the effect that such transaction will not adversely affect the tax-exempt status of any outstanding 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.

Funds shall be deposited monthly 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 Requirement. Any deficiencies below the Repair and Replacement Requirement shall be made up from Net Revenues of the System available for such purposes. Funds at any time on deposit in the Repair and Replacement Fund in excess of the amount required to be maintained therein may, at any time, be used by the Issuer for any lawful purpose.

Use of Rebate Fund

(a) If it becomes necessary for the Issuer to comply with the rebate requirements of the Code and the Regulations, the Trustee shall establish and thereafter maintain, so long as the Bonds which are subject to said rebate requirements are Outstanding, a Rebate Fund, which shall be held separate and apart from all other funds and accounts established under the Indenture and from all other moneys of the Trustee.

(b) All amounts in the Rebate Fund, including income earned from investment of the fund, shall be held by the Trustee free and clear of the lien of the Indenture. In the event the amount on deposit in the Rebate Fund exceeds the aggregate amount of Rebatable Arbitrage for one or more Series of Bonds, as verified in writing by an independent public accountant or other qualified professional at the time the Rebatable Arbitrage is determined, the excess amount remaining after payment of the Rebatable Arbitrage to the United States shall, upon the Issuer's written request accompanied by the determination report, be paid by the Trustee to the Issuer.

(c) The Issuer shall determine the amount of Rebatable Arbitrage and the corresponding Required Rebate Deposit with respect to each Series of Bonds on each applicable Rebate Calculation Date and take all other actions necessary to comply with the rebate requirements of the Code and the Regulations. The Issuer shall deposit into the Rebate Fund the Required Rebate Deposit, if any, with respect to each Series of Bonds (or instruct the Trustee to transfer to the Rebate Fund moneys representing such Required Rebate Deposit from the Funds and Accounts held under the Indenture other than the Rebate Fund) or shall otherwise make payment of the rebate to be paid to the United States at the times required by the Code and the Regulations. If applicable, the Issuer shall instruct in writing the Trustee to withdraw from the Rebate Fund and pay any rebate over to the United States. The determination of Rebatable Arbitrage made with respect to each such payment date and with respect to any withdrawal and payment to the Issuer from the Rebate Fund pursuant to the Indenture must be verified in writing by an independent public accountant or other qualified professional. The Trustee may rely conclusively upon and shall be fully protected from all liability in relying upon the Issuer's determinations, calculations and certifications required by the Indenture and the Trustee shall have no responsibility to independently make any calculations or determination or to review the Issuer's determinations, calculations and certifications required by the Indenture.

(d) The Trustee shall, at least 60 days prior to each Rebate Calculation Date, notify the Issuer of the requirements of the Indenture. By agreeing to give this notice, the Trustee assumes no responsibility whatsoever for compliance by the Issuer with the requirements of Section 148 of the Code or any successor. The Issuer expressly agrees that (notwithstanding any other provision of the Indenture) any failure of the Trustee to give any such notice, for any reason whatsoever, shall not cause the Trustee to be responsible for any failure of the Issuer to comply with the requirements of said Section 148 or any successor thereof.

(e) The provisions of the Indenture may be amended or deleted without Bondowner consent or notice, upon receipt by the Issuer and the Trustee of an opinion of nationally recognized bond counsel that such amendment or deletion will not adversely affect the exclusion from gross income of interest on the Bonds.

Investment of Funds. Any moneys in the Bond Fund, the Construction Fund, the Reserve Instrument Fund, the Rebate Fund or 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 and the Reserve

Instrument Fund may only be invested in Qualified Investments having a maturity date 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 Construction Fund, Bond Fund, the Reserve Instrument Fund and Rebate Fund shall be maintained in said respective Funds and disbursed along with the other moneys on deposit therein as in the Indenture provided. All income derived from the investment of the Debt Service Reserve Fund shall be disbursed in accordance with the Indenture. All moneys in the Revenue Fund and the Repair and Replacement Fund may be invested by the Issuer in Qualified Investments.

The Trustee shall have no liability or responsibility for any loss resulting from any investment made in accordance with the provisions of the Indenture. 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 the State Money Management Act of 1974, Title 51, Chapter 7, Utah Code, 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.

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 exclusion 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 of the Indenture 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 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.

General Covenants

General Covenants. The Issuer by the Indenture covenants and agrees with each and every Registered Owner of the Bonds issued under the Indenture 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 110% 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. There shall be no free water service, and such rates shall be charged against all users of the System, including the Issuer. The Issuer agrees that should its annual financial statement made in accordance with the provisions of the Indenture disclose that during the period covered by such financial statement the Net Revenues 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 in the Indenture required.

(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 or 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.

All expenses incurred in compiling the information required by the Indenture 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 equally 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 by the Indenture 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 and thereof. 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 by the Indenture specifically pledged and assigned to the payment thereof in the manner and to the extent in the Indenture specified, 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.

Performance of Covenants: Issuer. The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Indenture, and in any and every Bond, Security Instrument Agreement and Reserve Instrument Agreement. The Issuer represents that it is duly authorized under the Constitution and laws of the State to issue the Bonds authorized by the Indenture and to execute the Indenture, that all actions on its part for the issuance of the Bonds and the execution and delivery of the Indenture have been duly and effectively taken, and that the Bonds in the hands of the Registered Owners thereof are and will be valid and enforceable obligations of the Issuer according to the import thereof.

List of Bondholders. The Trustee will keep on file at its Principal Corporate Trust Office a list of the names and addresses of the Registered Owners of all Bonds which are from time to time registered on the registration books in the hands of the Trustee as Registrar for the Bonds. At reasonable times and under reasonable regulations established by the Trustee, said list may be inspected and copied by the Issuer or by the Registered Owners (or a designated representative thereof) of 10% or more in Principal amount of Bonds then Outstanding, such ownership and the authority of any such designated representative to be evidenced to the reasonable satisfaction of the Trustee.

Default Provisions

Events of Default. Each of the following events is by the Indenture declared an “Event of Default”:

- (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 default in the due and punctual performance of 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 in the Indenture, and such default shall continue for 30 days after written notice specifying such default 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 the Bonds then Outstanding 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 the Indenture 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 a majority 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 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 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 the Indenture 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 the Indenture, 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 funds, 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 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 Indenture, 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 as provided in the Indenture, or of which it is deemed to have notice, nor unless also Registered Owners of 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 hereinbefore granted 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 hereinabove granted, or to institute such action, suit or proceeding in its own name or names. Such notification, request and offer of indemnity are by the Indenture declared 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 in the Indenture provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner in the Indenture provided 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 in the Indenture contained 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 Indenture, 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.

Trustee Provisions

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 hereinabove provided. 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 the Indenture will not terminate upon its resignation or removal or upon payment of the Bonds and discharge of the Indenture.

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 the Indenture 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 Additional Bonds in accordance with the provisions of the Indenture;
- (b) To cure any ambiguity or formal defect or omission in the Indenture;
- (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 the Registered Owners or any of them which shall not adversely affect the interests of any Reserve Instrument Providers or Security Instrument Issuers without its consent;
- (d) To subject to the Indenture additional Revenues 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 Issuers 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 (A) to establish or maintain the exclusion from gross income for federal income tax purposes of interest on any Series of Bonds as a result of any modifications or amendments to Section 148 of the Code or interpretations by the Internal Revenue Service of Section 148 of the Code or of regulations proposed or promulgated thereunder, or (B) 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 tax-exempt status (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 in the Indenture to provisions of the Act, the Code or other applicable provisions of law that have been amended so that the references in the Indenture are correct.

Supplemental Indentures Requiring Consent of Registered Owners and Reserve Instrument Providers; Waivers and Consents by Registered Owners. Exclusive of Supplemental Indentures covered by the Indenture and subject to the terms and provisions contained in the Indenture, and not otherwise, the Registered Owners of 66 2/3% in aggregate Principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to (i) consent to and approve the execution by the Issuer and the Trustee of such other indenture or indentures supplemental to the Indenture 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 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 indenture supplemental to the Indenture; provided, however, that nothing in the Indenture contained 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 all the Bonds which would be affected by the action to be taken, or (c) a reduction in the aforesaid aggregate principal amount of 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 all the Bonds at the time Outstanding which would be affected by the action to be taken. In addition, no supplement 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 Indenture, 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 these presents and the estate and rights by the Indenture granted 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 90 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 hereinbefore set forth, 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 Sections 148 of the Code.

Notwithstanding any provision 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 D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the “Disclosure Undertaking”) is executed and delivered by Sandy City, Utah (the “City”), in connection with the issuance by the City of its \$ _____ Water Revenue Bonds, Series 2017 (the “Series 2017 Bonds”). The Series 2017 Bonds are being issued pursuant to resolutions adopted on March 28, 2017 and January 15, 2017, by the City Council of the City, which provide for the issuance of the Series 2017 Bonds; and (iii) a General Indenture of Trust dated as of April 1, 2004, as previously amended and supplemented (the “General Indenture”), between the City and ZB, National Association, as trustee (the “Trustee”), and as further amended and supplemented by a Third Supplemental Indenture of Trust dated as of _____, 2017 (the “Third Supplemental Indenture,” and together with the General Indenture, the “Indenture”). .

The City hereby acknowledges that it is an “obligated person” within the meaning of the hereinafter defined Rule and the only “obligated person” with respect to the Series 2017 Bonds. 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 2017 Bonds and in order to assist the Participating Underwriters in complying with the Rule (each as defined herein).

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 2017 Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” shall mean, initially, the City, or any successor Dissemination Agent designated in writing by the City and which has filed with the Trustee a written acceptance of such designation.

“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 currently 1300 I Street, NW, Suite 1000, Washington D.C. 20005; Telephone (202) 838-1500; the current website address of which is www.msrb.org and www.emma.msrb.org (for municipal disclosures and market data).

“Official Statement” shall mean the Official Statement of the City dated _____, 2017, relating to the Series 2017 Bonds.

“Participating Underwriter” shall mean _____, as original underwriter of the Series 2017 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.

“State” shall mean the State of Utah.

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 two hundred (200) days after the end of each fiscal year of the City (presently June 30),

commencing with the fiscal year ended June 30, 2017, provide to the MSRB, the 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 Section 3(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, if other than the City, 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 Section 3(a), the Dissemination Agent shall, in a timely manner, send a notice of a failure to file the Annual Report to the MSRB in an electronic format.

(d) The Dissemination Agent shall:

(i) determine each year prior to the dates for providing the Annual Report of the City, the website address to which the MSRB directs the Annual Report to be submitted; and

(ii) file reports with the City, as appropriate, certifying that their 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:

(a) 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 accountants. 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.

(b) [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 captions "THE SYSTEM— Sources of Water," "—Water Rates," "—Water Historical Growth and Largest Customers" "—Historical Net Revenues and Projected Debt Service Coverage (By Fiscal Year)," and "—Five-Year Financial Summaries of the System," as information becomes historically available.]

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 the MSRB 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 5. 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 2017 Bonds in a timely manner but 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 Bonds or other material events affecting the tax status of the 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 City shall give or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Series 2017 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 the change of the name of a trustee;
- (iii) Non-payment related defaults;
- (iv) Modifications to the rights of the owners of the Series 2017 Bonds;
- (v) Series 2017 Bond calls; or
- (vi) Release, substitution or sale of property securing repayment of the Series 2017 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 in an electronic format in a timely manner not more than ten (10) Business Days after the Listed Event.

Section 6. 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 2017

Bonds. If such termination occurs prior to the final maturity of the Series 2017 Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(f).

Section 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist the City in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the City shall be the Dissemination Agent. The initial Dissemination Agent shall be the City.

Section 8. 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 2017 Bonds, or the type of business conducted;

(a) The 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 2017 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(b) The amendment or waiver either (i) is approved by the Holders of the Series 2017 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 2017 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(f), 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 9. 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 Disclosure 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 10. 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 2017 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 or the Lease, 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 11. 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 2017 Bonds.

Section 12. 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 2017 Bonds, and shall create no rights in any other person or entity.

Section 13. 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.

Date: _____, 2017.

SANDY CITY, UTAH

(SEAL)

By: _____
Mayor

Attest:

By: _____
City Recorder

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

Upon the delivery of the Series 2017 Bonds, Gilmore & Bell, P.C., Bond Counsel to the City, proposes to issue its final approving opinion in substantially the following form.

We have acted as bond counsel to Sandy City, Utah (the “Issuer”) in connection with the issuance by the Issuer of its \$ _____ Water Revenue Bonds, Series 2017 (the “Series 2017 Bonds”). The Series 2017 Bonds are being issued pursuant to (i) resolutions adopted on March 28, 2017 and January 15, 2017 by the City Council of the City which provide for the issuance of the Series 2017 Bonds; (ii) a General Indenture of Trust dated as of April 1, 2004, as previously amended and supplemented (the “General Indenture”), between the City and ZB, National Association, as trustee, and as further amended and supplemented by a Third Supplemental Indenture of Trust dated as of _____ 1, 2017 (the “Third Supplemental Indenture,” and together with the General Indenture, the “Indenture”); and (iii) the Local Government Bonding Act, Title 11, Chapter 14, Utah Code Annotated 1953, as amended, and other applicable provisions of law. Proceeds of the Series 2017 Bonds will be used by the City to (a) finance improvements to the City’s water utility system and (b) pay the costs of issuing the Series 2017 Bonds.

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 Revenues (as defined in the Indenture) and the other amounts pledged thereunder for the security of the Series 2017 Bonds.

2. The Series 2017 Bonds are valid and binding special obligations of the Issuer payable solely from the Revenues and other amounts pledged therefor in the Indenture, and the Series 2017 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 2017 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 imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. 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, that must be satisfied subsequent to the issuance of the Series 2017 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 2017 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2017 Bonds.

4. The interest on the Series 2017 Bonds is exempt from 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 2017 Bonds.

The rights of the holders of the Series 2017 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

DTC will act as securities depository for the Series 2017 Bonds. The Series 2017 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Series 2017 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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 Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017 Bonds on DTC's records. The ownership interest of each actual purchaser of each 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 2017 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 Series 2017 Bonds, except in the event that use of the book-entry system for the Series 2017 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2017 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 2017 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2017 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2017 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 2017 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2017 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Series 2017 Bonds may wish to ascertain that the nominee holding the Series 2017 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 2017 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 2017 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 2017 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 2017 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the 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 interest 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 will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2017 Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 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.