INTERLOCAL AGREEMENT BETWEEN

SALEM CITY, UTAH

AND

NS PUBLIC INFRASTRUCTURE DISTRICT NO. 1 AND

NS PUBLIC INFRASTRUCTURE DISTRICT NO. 2 AND

NS PUBLIC INFRASTRUCTURE DISTRICT NO. 3 AND

NS PUBLIC INFRASTRUCTURE DISTRICT NO. 4 AND

NS PUBLIC INFRASTRUCTURE DISTRICT NO. 5

THIS AGREEMENT is made and entered into as of this 5th day of September, 2024, by and between SALEM CITY, a home-rule municipal corporation of the State of Utah (the "City"), NS PUBLIC INFRASTRUCTURE DISTRICT NO. 1, a political subdivision of the State of Utah ("District No. 1"), NS PUBLIC INFRASTRUCTURE DISTRICT NO. 2, a political subdivision of the State of Utah ("District No. 2"), NS PUBLIC INFRASTRUCTURE DISTRICT NO. 3, a political subdivision of the State of Utah ("District No. 3"), and NS PUBLIC INFRASTRUCTURE DISTRICT NO. 4, a political subdivision of the State of Utah ("District No. 4") and NS PUBLIC INFRASTRUCTURE DISTRICT NO. 5, a political subdivision of the State of Utah ("District No. 5" and together with District Nos. 1-4, the "Districts"). The City and the Districts are collectively referred to as the Parties.

RECITALS

WHEREAS, the Districts were organized to provide to exercise powers as are more specifically set forth in the District's Governing Document approved by the City on April 3, 2024 ("Governing Document"); and

WHEREAS, the Governing Document makes reference to the execution of an Interlocal Agreement between the City and the Districts; and

WHEREAS, the City and the Districts have determined it to be in the best interests of their respective taxpayers, residents and property owners to enter into this Interlocal Agreement ("Agreement").

NOW, THEREFORE, in consideration of the covenants and mutual agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

COVENANTS AND AGREEMENTS

1. Improvements. The Districts shall have authority to provide for the planning, design, acquisition, construction, installation, relocation, redevelopment, maintenance, and financing of the Public Improvements within and without the boundaries of the District, as described in **Exhibit D** of the Governing Document. Without the written consent of the City, a District shall not be authorized to finance any improvements which do not fall within the categories listed in Exhibit D (as may be modified and shall be more fully set forth in the Approved Development Plan). However, the determination of which Public Improvements, or portions thereof, shall be financed by which District shall be left to the discretion of the Districts. The Districts shall dedicate the Public Improvements to the City or other appropriate public entity in a manner

consistent with the Approved Development Plan and other rules and regulations of the City and applicable provisions of the City Code. Trails which are interconnected with a city or regional trail system shall be open to the public free of charge and on the same basis as residents and owners of taxable prope1iy within the Districts.

The Districts shall be permitted to pay for Public Improvements permitted herein irrespective of any increase or decrease in the actual cost, provided that the Districts comply with the requirements of this Governing Document, including but not limited to the debt limit provided and the Maximum Debt Mill Levy. If the District desires to pay for the costs associated with improvements which are outside the description of the authorized Public Improvements herein, then it must first obtain approval from the City in an Approved Development Plan.

2. Construction Standards. The Districts will ensure that the Public Improvements are designed and constructed in accordance with the customary standards and specifications of the City and of other governmental entities having proper jurisdiction, as applicable. The Districts will obtain the City's approval of civil engineering plans and will obtain applicable permits for construction and installation of Public Improvements prior to performing such work.

3. Issuance of Privately Placed Debt. Prior to the issuance of any p1ivately placed Debt, the Districts shall obtain the certification of a Municipal Advisor substantially as follows:

> We are [I am] a Municipal Advisor within the meaning of the District's Governing Document.
>
> We [I] certify that (1) the net effective interest rate to be borne by [insert the designation of the Debt] does not exceed a reasonable current [tax- exempt] [taxable] interest rate, using criteria deemed appropriate by us [me] and based upon our [my] analysis of comparable high yield securities; and (2) the structure of [insert designation of the Debt], including maturities and early redemption provisions, is reasonable conside1ing the financial circumstances of the District.

4. Annexation Limitation. The Districts shall not include within its boundaries any property outside the District Area without the prior written consent of the City. By the Governing Document, the City has consented to the annexation of any area within the Annexation Area into any of the Districts. Such area may only be annexed upon 1) for any portion of the Annexation Area, not currently in the boundaries of the City, annexation of such parcel into the City or adoption of a resolution of the County approving such annexation into the Districts and 2) the Districts obtaining any required consents under the PID Act, within the area proposed to be annexed and the passage of a resolution of the Board approving such annexation.

5. Overlap Limitation. Additionally, the boundaries of the Districts shall not overlap the boundaries of any other PIO or financing district which is not a traditional service provider unless the aggregate mill levy for payment of Debt of the applicable District and such districts will not at any time exceed the Maximum Debt Mill Levy of the Districts.

6. Initial Debt. On or before the effective date of approval by the City of an Approved Development Plan (as defined in the Governing Document), the Districts shall not: (a) issue any Debt; nor (b) impose a mill levy for the payment of Debt by direct imposition or by transfer of funds from the operating fund to the Debt service funds; nor (c) impose and collect any fees used for the purpose of repayment of Debt.

7. Total Debt Issuance. The Districts shall not issue Limited Tax Debt in excess of the amount of Fifty Million Dollars ($60,000,000). This amount excludes any portion of bonds issued to refund a prior issuance of debt by the Districts. In addition, this limitation does not apply to the District's pledge of its property tax revenues to the Debt of one of the other Districts. Any Assessment Debt or C-PACE Bonds do not

count against the foregoing limitation and there is no limit to the amount of Assessment Debt or C-PACE Bonds the District may issue so long as such issuances are in accordance with the provisions of the applicable Assessment Act.

8. Bankruptcy. All of the limitations contained in this Governing Document, including, but not limited to, those pertaining to the Maximum Debt Mill Levy and the Maximum Debt Mill Levy Imposition Term have been established under the authority of the City to approve a Governing Document with conditions pursuant to Section l 7D-4-201(4), Utah Code. It is expressly intended that such limitations:

a. Shall not be subject to set-aside for any reason or by any court of competent jurisdiction, absent a Governing Document Amendment; and

b. Are, together with all other requirements of Utah law, included in the "political or governmental powers" reserved to the State under the U.S. Bankruptcy Code (11 U.S.C.) Section 903, and are also included in the "regulatory or electoral approval necessary under applicable nonbankruptcy law" as required for confirmation of a Chapter 9 Bankruptcy Plan under Bankruptcy Code Section 943(b)(6).

c. Any Debt, issued with a pledge or which results in a pledge, that exceeds the Maximum Debt Mill Levy and the Maximum Debt Mill Levy Imposition Tenn, shall be deemed a material modification of this Governing Document and shall not be an authorized issuance of Debt unless and until such material modification has been approved by the City as part of a Governing Document Amendment.

9. Eminent Domain. The Districts shall not exercise eminent domain or utilize any funds of the District to support any eminent domain action or proceeding unless (i) the public improvements for which eminent domain is proposed are permitted under this Agreement, a Development Agreement, the Approved Development Plan, or separate agreement of the City and (ii) their location complies with a master infrastructure plan or similar plan of the City or the applicable service provider.

10. Dissolution. Upon an independent determination of each District Board that the purposes for which the Districts were created have been accomplished, the District agrees to file petitions for dissolution, pursuant to the applicable State statutes. In no event shall a dissolution occur until the Districts have provided for the payment or discharge of all of their outstanding indebtedness and other financial obligations as required pursuant to State statutes and disbursed all assets of the Districts.

11. Disclosure to Purchasers; Annual Notice.

a. Within thirty (30) days of the issuance of a certificate of incorporation by the Office of the Lieutenant Governor of the State, the Board shall record a notice with the recorder of Utah County, Utah. Such notice shall (i) contain a description of the boundaries of the Districts, (ii) state that a copy of this Governing Document is on file at the office of the City, (iii) state that the Districts may finance and repay infrastructure and other improvements through the levy of a property tax; (iv) state the Maximum Debt Mill Levy of the Districts; and (v) if applicable, stating that the debt may convert to General Obligation Debt and outlining the provisions relating to conversion. A copy of the notice shall further be provided to the City.

In addition, the Applicant and the Board shall ensure that the Applicant, homebuilders, commercial developers, and commercial lessors, as applicable, disclose the following information to initial resident homeowners, renters, commercial property owners, and/or commercial tenants:

i. All of the information in the first paragraph of this Section 12;

ii. A disclosure outlining the impact of any applicable property tax, in substantially the following form:

"Under the maximum prope1ty tax rate of the District, **for every $100,000 of taxable value**, there would be an **additional annual property tax of [$400 ON FOR-SALE RESIDENTIAL]] [$600 [ON FOR-RENT APARTMENTS AND COMMERCIAL]]** for the duration of the Districts' Bonds."

iii. Such disclosures shall be contained on a separate-colored page of the applicable closing or lease documents and shall require a signature of such end user acknowledging the foregoing.

b. In addition, the Board of each District shall make commercially reasonable efforts to ensure that the Project developer, homebuilders, sub-developers, and commercial lessors, as applicable, disclose the following information to initial resident homeowners, renters, commercial property owners, and/or commercial tenants in such District:

i. All of the information in the first paragraph of this Section 12;

ii. A disclosure outlining the impact of any applicable property tax, in substantially the following form:

"Under the maximum property tax rate of the District, **for every $100,000 of taxable value**, there would be an **additional annual property tax of [ON FOR-SALE RESIDENTIAL]] [$600 [ON FOR-RENT APARTMENTS AND COMMERCIAL]]** for the duration of the District's Bonds."

iii. Such disclosures shall be contained on a separate-colored page of the applicable closing or lease documents and shall require a signature of such End User acknowledging the foregoing.

Additionally, the Developer and the Board shall use commercial reasonable efforts to ensure that the Developer, homebuilders, and commercial developers, and commercial lessors, as applicable post a notice, in the same font and size (or larger) as the form attached as **Exhibit F** in a conspicuous area on bright-colored paper within all model homes and sales offices within the Districts.

c. On or before July 15 of each year, commencing July 15, 2024, the Districts shall mail a notice to all owners of property within the boundaries of the Districts a notice providing:

i. A disclosure outlining the impact of any applicable prope1iy tax, in substantially the following form:

"Under the maximum property tax rate of the District, **for every $100,000 of taxable value**, there would be an **additional annual property tax of [$400 ON FOR-SALE RESIDENTIAL]] [$600 [ON FOR-RENT APARTMENTS AND COMMERCIAL]]** for the duration of the Districts' Bonds."

ii. The applicable tax rate of the Districts for the then current year;

iii. That budgets and financial information for the Districts may be found on the State Auditor's Website (currently https://reporting.auditor.utah.gov/searchreports/s/); and

iv. Contact information for members of the board.

12. Maximum Debt Mill Levy Imposition Term. Each bond issued by the District shall mature within Thirty-One (31) years from the date of issuance of such bond. In addition, no mill levy may be imposed for the repayment of a series of bonds after a pe1iod exceeding forty (40) years from the first date of imposition of the mill levy for such bond (the "Maximum Debt Mill Levy Imposition Term").

13. All Assessments (other than C-PACE Assessments) imposed by any District on a parcel zoned for residential uses shall be payable at or before the time a building permit is issued with respect to such parcel. Any C-PACE Assessments may be repayable in accordance with the provisions of such act.

14. Governing Document Amendment Requirement. Actions of the Districts which violate the limitations set forth in the Governing Document shall be deemed to be material modifications to the Governing Document and the City shall be entitled to all remedies available under State and local law to enjoin such actions of the Districts.

15. Annual Report. The Districts shall be responsible for submitting an annual report to the City Manager's Office no later than 180 days following the closing of the Districts' fiscal year, containing the information set forth in the Governing Document.

16. Maximum Debt Mill Levy. The "Maximum Debt Mill Levy" shall be the maximum mill levy a District is permitted to impose upon the taxable property within such District for payment of Limited Tax Debt and shall be .006 mills on commercial property and for-rent residential apartments and .004 mills on for-sale residential product per dollar of taxable value of taxable property in such District; provided that such levy shall be subject to adjustment as provided in Section 17D-4-301(8), Utah Code. The Maximum Debt Mill Levy, protects the future residents and prope1iy owners in the Districts from excessive tax burdens. Bonds issued by the Districts will be limited tax general obligations of the Districts. Owners of bonds issued by the Districts will not be able to require the Districts to raise the mill levy above the Maximum Debt Mill Levy, and the Districts will not be obligated to pay more than the amount collected from the Maximum Debt Mill Levy. Under this structure the Districts will not be in default on the payment of principal and interest, as long as they impose and remit the amounts collected from the Maximum Debt Mill Levy, and the owners of the bonds will have no recourse against the District to require any additional payments. Additionally, the bonds issued by the Districts will be solely obligations of the Districts. Buyers of the bonds will be required to acknowledge this fact as required by the Governing Document. Furthermore, all of the bonds and interest thereon shall be deemed to be paid, satisfied, and discharged no later than 40 years after the bonds are issues regardless of the amount of principal and interest paid prior to the Termination Date. After the termination date the bond owners will have no recourse to the Districts or any property of the Districts for the payment of any amount of principal of or interest on the Bonds remaining unpaid.

The bonds will also not be obligations of the City, the County or the State. Payment of the principal of and interest on the bonds will not be secured by any deed of trust, mortgage or other lien or security interest on any property within the Districts.

Such Maximum Debt Mill Levy may only be amended pursuant to a Governing Document Amendment and as provided in Section 17D-4-202, Utah Code.

17. Notices. All notices, demands, requests or other communications to be sent by one party to the other hereunder or required by law shall be in w1iting and shall be deemed to have been validly given or served by delivery of same in person to the address or by courier delivery, via United Parcel Service or other nationally recognized overnight air courier service, or by depositing same in the United States mail, postage prepaid, addressed as follows:

To the Districts: NS Public Infrastructure District Nos. 1-5
c/o White Bear Ankele Tanaka & Waldron
2154 East Commons Avenue, Suite 2000
Centennial, CO 80122
Attn: Blair M. Dickhoner
Phone: (303) 858-1800

To the City: Salem City
30 W 100 S
Salem, UT 84653
Attn: City Manager
Phone: (801) 423-2770

All notices, demands, requests or other communications shall be effective upon such personal delivery or one (1) business day after being deposited with United Parcel Service or other nationally recognized overnight air courier service or three (3) business days after deposit in the United States mail. By giving the other party hereto at least ten (10) days written notice thereof in accordance with the provisions hereof, each of the Parties shall have the right from time to time to change its address.

18. Amendment. This Agreement may be amended, modified, changed, or terminated in whole or in part only by a written agreement duly authorized and executed by the Parties hereto and without amendment to the Governing Document.

19. Assignment. Neither Party hereto shall assign any of its rights nor delegate any of its duties hereunder to any person or entity without having first obtained the prior written consent of the other Party, which consent will not be unreasonably withheld. Any purported assignment or delegation in violation of the provisions hereof shall be void and ineffectual.

20. Default/Remedies. In the event of a breach or default of this Agreement by any Party, the non-defaulting Party shall be entitled to exercise all remedies available at law or in equity, specifically including suits for specific performance and/or monetary damages. In the event of any proceeding to enforce the terms, covenants or conditions hereof, the prevailing Party in such proceeding shall be entitled to obtain as part of its judgment or award its reasonable attorneys' fees.

21. Term. This Agreement shall terminate upon the earlier to occur of dissolution of the Districts or fifty (50) years from the date hereof.

22. Governing Law and Venue. This Agreement shall be governed and construed under the laws of the State of Utah.

23. Inurement. Each of the terms, covenants and conditions hereof shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and assigns.

24. Integration. This Agreement constitutes the entire agreement between the Parties with respect to the matters addressed herein. All prior discussions and negotiations regarding the subject matter hereof are merged herein.

25. Parties Interested Herein. Nothing expressed or implied in this Agreement is intended or shall be construed to confer upon, or to give to, any person other than the Districts and the City any right, remedy, or claim under or by reason of this Agreement or any covenants, terms, conditions, or provisions thereof, and all the covenants, terms, conditions, and provisions in this Agreement by and on behalf of the Districts and the

City shall be for the sole and exclusive benefit of the Districts and the City.

26. Severability. If any covenant, term, condition, or provision under this Agreement shall, for any reason, be held to be invalid or unenforceable, the invalidity or unenforceability of such covenant, term, condition, or provision shall not affect any other provision contained herein, the intention being that such provisions are severable.

27. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original and all of which shall constitute one and the same document.

28. Paragraph Headings. Paragraph headings are inserted for convenience of reference only.

29. Defined Terms. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Governing Document.

[SIGNATURE PAGE TO INTERLOCAL AGREEMENT]

NS PUBLIC INFRASTRUCTURE DISTRICT NO. 1

By: Boyd Brown
Boyd Brown (Sep 23, 2024 18:34 MDT)
Chair

Attest:

Clay Winder
Clay Winder (Sep 23, 2024 19:05 MDT)
Secretary

APPROVED AS TO FORM: Megan G. Murphy

NS PUBLIC INFRASTRUCTURE DISTRICT NO. 2

By: Burke Staker
Burke Staker (Sep 24, 2024 08:41 MDT)
Chair

Attest:

Ryan Beck
Ryan Beck (Sep 24, 2024 10:00 MDT)
Secretary

APPROVED AS TO FORM: Megan G. Murphy

NS PUBLIC INFRASTRUCTURE DISTRICT NO. 3

By: Boyd Brown
Boyd Brown (Sep 23, 2024 18:34 MDT)
Chair

Attest:

Clay Winder
Clay Winder (Sep 23, 2024 19:05 MDT)
Secretary

APPROVED AS TO FORM: Megan G. Murphy

NS PUBLIC INFRASTRUCTURE DISTRICT NO. 4

By: Boyd Brown
Boyd Brown (Sep 23, 2024 18:34 MDT)
Chair

Attest:

Clay Winder
Clay Winder (Sep 23, 2024 19:05 MDT)
Secretary

APPROVED AS TO FORM: Megan G. Murphy

NS PUBLIC INFRASTRUCTURE DISTRICT NO. 5

By: Boyd Brown
Boyd Brown (Sep 23, 2024 18:34 MDT)
Chair

Attest:

Clay Winder
Clay Winder (Sep 23, 2024 19:05 MDT)
Secretary

APPROVED AS TO FORM: Megan G. Murphy

SALEM CITY, UTAH

By: Kurt Christensen

Mayor Kort Christensen

Attest: J. J. Niel

By: Jeffrey Nielson

Its: City Recorder

APPROVED AS TO FORM: Walt J. Bird