

# UMBAUGH

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December 19, 2016

Town Council  
Town of Yorktown  
9800 W Smith St  
Yorktown, IN 47396

Re: Proposed Municipal Advisory Services  
Sewage Works Refunding Revenue Bonds of 2016

Dear Town Council:

You have requested that H.J. Umbaugh & Associates, Certified Public Accountants, LLP (the "Firm") provide to the Town of Yorktown, Indiana (the "Client") those services more fully set forth in Exhibit A hereto (the "Services").

## Fees and Costs

Fees charged for work performed are generally based on hourly rates, as set forth in Exhibit B, for the time expended, a fixed amount or other arrangement as mutually agreed upon as more appropriate for a particular matter. Hourly rates for work performed by our professionals vary by individual and reflect the complexity of the engagement.

## Disclosure of Conflicts of Interest with Various Forms of Compensation

The Municipal Securities Rulemaking Board (MSRB) is expected to require us, as your municipal advisor, to provide written disclosure to you about the actual or potential conflicts of interest presented by various forms of compensation. Exhibit C sets forth the potential conflicts of interest associated with various forms of compensation. By signing this letter of engagement, the signee acknowledges that he/she has received Exhibit C and that he/she has been given the opportunity to raise questions and discuss the matters contained within the exhibit with the municipal advisor.

## Billing Procedures

Normally, you will receive a monthly statement showing fees and costs incurred in the prior month. Occasionally, we may bill on a less frequent basis if the time involved in the prior month was minimal or if arrangements are made for the payment of fees from bond proceeds. The account balance is due and payable on receipt of the statement and we reserve the right to charge 1% interest per month for outstanding unpaid balances over thirty (30) days from the date of billing. Once our representation has been concluded or terminated, a final billing will be sent to you. If requested to provide an estimate of our fees for a given matter, we will endeavor in good faith to provide our best estimate, but unless there is a mutual agreement to a fixed fee, the actual fees incurred on any project may be less than or exceed the estimate. Any questions or errors in any fee statement should be brought to our attention in writing within sixty (60) days of the billing date.

## Termination

Both the Client and the Firm have the right to terminate the engagement at any time after reasonable advance written notice. On termination, all fees and charges incurred prior to termination shall be paid promptly. Unless otherwise agreed to by the Client and the Firm, this engagement will terminate 60 days after completion of the scope of services as outlined in Exhibit A.

Town Council  
Town of Yorktown  
Re: Proposed Municipal Advisory Services  
Sewage Works Refunding Revenue Bonds of 2016  
December 19, 2016  
Page 2

### Accountants' Opinion

In performing our engagement, we will be relying on the accuracy and reliability of information provided by Client personnel. We will not audit, review, or examine the information. Please also note that our engagement cannot be relied on to disclose errors, fraud, or other illegal acts that may exist. However, we will inform you of any material errors and any evidence or information that comes to our attention during the performance of our procedures that fraud may have occurred. In addition, we will report to you any evidence or information that comes to our attention during the performance of our procedures regarding illegal acts that may have occurred, unless they are clearly inconsequential. We have no responsibility to identify and communicate significant deficiencies or material weaknesses in your internal control as part of this engagement.

The responsibility for auditing the records of the Client rests with the Indiana State Board of Accounts and the work performed by the Firm shall not include an audit or review of the records or the expression of an opinion on financial data.

### Client Responsibilities

It is understood that the Firm will serve in an advisory capacity with the Client. The Client is responsible for management decisions and functions, and for designating an individual with suitable skill, knowledge or experience to oversee the services we provide. The Client is responsible for evaluating adequacy and results of the services performed and accepting responsibility for such services. The Client is responsible for establishing and maintaining internal controls, including monitoring ongoing activities.

### Additional Services

Exhibit A sets forth the scope of the Services to be provided by the Firm. From time to time, additional services may be requested by the Client beyond the scope of Exhibit A. The Firm may provide these additional services and be paid at the Firm's customary fees and costs for such services. In the alternative, the Firm and the Client may complete a revised and supplemented Exhibit A to set forth the additional services (including revised fees and costs, as needed) to be provided. In either event, the terms and conditions of this letter shall remain in effect.

### E-Verify Program

The Firm participates in the E-Verify program. For the purpose of this paragraph, the E-Verify program means the electronic verification of the work authorization program of the Illegal Immigration Reform and Immigration Responsibility Act of 1996 (P.L. 104-208), Division C, Title IV, s.401(a), as amended, operated by the United States Department of Homeland Security or a successor work authorization program designated by the United States Department of Homeland Security or other federal agency authorized to verify the work authorization status of newly hired employees under the Immigration Reform and Control Act of 1986 (P.L. 99-603). The Firm does not employ any "unauthorized aliens" as that term is defined in 8 U.S.C. 1324a(h)(3).

### Investments

The Firm certifies that pursuant to Indiana Code 5-22-16.5 *et seq.* the Firm is not now engaged in investment activities in Iran. The Firm understands that providing a false certification could result in the fines, penalties, and civil action listed in I.C. 5-22-16.5-14.

Town Council  
Town of Yorktown  
Re: Proposed Municipal Advisory Services  
Sewage Works Refunding Revenue Bonds of 2016  
December 19, 2016  
Page 3

Municipal Advisor Registration

The Firm is a Municipal Advisor registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. As such, the Firm is providing certain specific municipal advisory services to the Client. The Firm is neither a placement agent to the Client nor a broker/dealer.

The offer and sale of any Bonds shall be made by the Client, in the sole discretion of the Client, and under its control and supervision. The Client agrees that the Firm does not undertake to sell or attempt to sell the Bonds, and will take no part in the sale thereof.

Other Financial Industry Activities and Affiliations

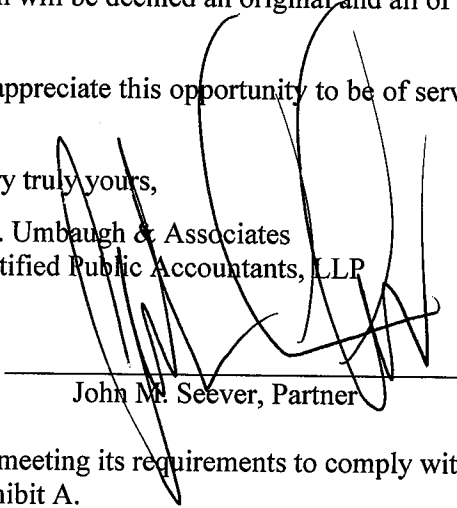
Umbaugh Cash Advisory Services, LLC ("UCAS") is a wholly-owned subsidiary of the Firm. UCAS is registered as an investment adviser with the Securities and Exchange Commission under the federal Investment Advisers Act. UCAS provides non-discretionary investment advice with the purpose of helping clients create and maintain a disciplined approach to investing their funds prudently and effectively. UCAS may provide advisory services to the clients of the Firm.

UCAS has no other activities or arrangements that are material to its advisory business or its clients with a related person who is a broker-dealer, an investment company, other investment adviser or financial planner, bank, law firm or other financial entity.

If the foregoing accurately represents the basis upon which we may provide Services to the Client, we ask that you execute this letter, in the space provided below setting forth your agreement. Execution of this letter can be performed in counterparts each of which will be deemed an original and all of which together will constitute the same document.

If you have any questions, please let us know. We appreciate this opportunity to be of service to you and Town of Yorktown, Indiana.

Very truly yours,  
H.J. Umbaugh & Associates  
Certified Public Accountants, LLP

By:   
John M. Seever, Partner

The Client requests that the Firm assist the Client in meeting its requirements to comply with *SEC Rule 15c2-12: Continuing Disclosure* as referenced in Exhibit A.

Please initial by your selection: Yes \_\_\_\_\_ No \_\_\_\_\_

The undersigned hereby acknowledges and agrees to the foregoing letter of engagement.

Town of Yorktown, Indiana

Date: \_\_\_\_\_

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

## **EXHIBIT A**

### **Services Provided**

#### **Scope of Services**

The Firm agrees to furnish and perform the following Services with respect to the refunding and legal defeasance of the Sewage Works Refunding Bonds of 2008 (the "Outstanding Bonds") from the proceeds of a refunding revenue bond issue (the "Refunding Bonds").

#### **Article I. Financial Analysis (Municipal Advisory Services)**

- A. Obtain information from the bond ordinances now in effect.
- B. Prepare amortization schedules of presently outstanding funded debt extending over the life of the remaining years of payment and obtain information from bond ordinances or other documents relating to such funded debt.
- C. Suggest for consideration of the Client, sources of refunding the Outstanding Bonds, including such sources as available funds on hand and refunding revenue bonds.
- D. Analyze proposals from the underwriters and, when appropriate, suggest modifications of terms or amortization of the proposed refunding bonds.
- E. Compare the annual principal and interest requirements of the proposed Refunding Bonds with the annual principal and interest requirements of the Outstanding Bonds and determine the total gross savings to the Client and the present value thereof.
- F. Suggest terms and conditions of borrowing, such as redemption privileges, maximum interest rates, allocation of net revenues to funds and debt service reserve requirements.
- G. Meet, as needed, with the Officials of the Client to discuss findings and recommendations.
- H. Provide financial information to the Client's attorney for preparation of resolutions and ordinances.

#### **Article II. Accounting Report for Official Statement (Compilation Accounting Report Services)**

Compile an accounting report including unaudited financial statements and supplementary financial data.

## **BOND ISSUE**

### **Article III. Official Statement (Municipal Advisory Services)**

- A. Advise the Client on methods and procedures relative to the offering of the Refunding Bonds by the Client.
- B. Assist the Client in connection with the preparation and composition of a "Nearly Final" and "Final" Official Statement of the type and nature generally prepared in connection with the sale of securities such as the Refunding Bonds, which will disclose technical data, demographic information and financial schedules relating to the Client and the Refunding Bonds.
- C. Compute the net interest cost of each proposal received from the underwriter, and compute the gross savings and the present value thereof.
- D. Provide a bond amortization schedule resulting from the sale.

### **Article IV. Sale of Bonds (Municipal Advisory Services)**

The offer and sale of the Bonds shall be made by the Client, at the sole discretion of the Client, and under its control and supervision. The Client agrees that the Firm does not undertake to sell or attempt to sell the Bonds, and will take no part in the sale thereof. The Client agrees that the Firm's compensation hereunder shall be due and payable upon delivery of the Official Statement by the Firm to the Client or the distribution thereof on its behalf regardless of whether the Bonds are sold by the Client.

### **Article V. Escrow Verification Report (Agreed Upon Procedures)**

- A. Test the mathematical accuracy of the Placement Agent's or Underwriter's calculations regarding the sufficiency of the cash and investments to be deposited into the escrow account to meet the principal and interest requirements and call premium for the Outstanding Bonds.
- B. Provide an Escrow Verification Report at the closing of the Refunding Bonds.

### **Article VI. Continuing Disclosure (Consulting Services)**

If the Client selected 'Yes' in the Engagement Letter above, the Firm will assist the Client with the annual preparation of materials required for compliance with *SEC Rule 15c2-12* as described within the Continuing Disclosure Undertaking Agreement for the Bonds. On an annual basis, the Firm will amend the existing Continuing Disclosure Engagement Letter between the Client and the Firm to include the Bonds and related requirements.

### **Article VII. Arbitrage Rebate Services (Consulting Services)**

Section 148 of the Internal Revenue Code requires issuers of tax-exempt bonds that meet certain criteria to have arbitrage rebate computations performed on a periodic basis. Our services will be limited to utilizing available information to calculate the arbitrage yield on the bond issues, the yield on non-purpose investments, the amount of excess earnings, if any, of the non-purpose investments at the calculated arbitrage yield, and the rebatable arbitrage, if any, due as of the five-year anniversary date or more frequently as necessary. If eligible, we will prepare spend-down calculations in lieu of rebate calculations. Our services for the arbitrage rebate computations include:

## **EXHIBIT A**

### **Services Provided (cont'd)**

- A. Obtaining information from bond offering documents, information returns filed upon issuance (Form 8038 and 8038 G), arbitrage certificate, legal documents and statements or summaries of transactions for the funds subject to rebate defined in the documents.
- B. Providing a report which will be addressed to the Client. The report will summarize the results of the calculations performed.
- C. Assistance in preparing the IRS from 8038-T, if necessary.

Calculation and payment of any arbitrage rebate due is the responsibility of the Client. The Client is responsible for notifying the Firm of any additional or subsequent bond issues that would require arbitrage rebate services. Our engagement will not include verifying that: proceeds were used for purpose expenditures; investments were purchased at market price; no amounts were paid to any party in order to reduce the yield on any investment; the bond issue was appropriately structured or qualified as a tax-exempt offering; or information provided to us is complete and accurate.

**EXHIBIT B**

**Fees**

For the Services set forth in Exhibit A, the Firm's fees will be:

Articles I through IV	Financial Analysis (Municipal Advisory Services) and Accounting Report for Official Statement (Compilation Accounting Report Services), Official Statement (Municipal Advisory Services) and Sale of Bonds (Municipal Advisory Services)	\$35,000
Article V	Escrow Verification Report (Agreed Upon Procedures)	\$5,000
Article VI	Continuing Disclosure (Consulting Services)	Time & Expense*
Article VII	Arbitrage Rebate Services (Consulting Services)	Time & Expense*

**Standard Hourly Rates by Job Classification**  
08/01/2016

Partners / Principals	\$275.00	to	\$450.00
Managers	\$180.00	to	\$325.00
Consultants	\$130.00	to	\$250.00
Municipal Bond Disclosure Specialists	\$100.00	to	\$180.00
Support Personnel	\$100.00	to	\$135.00

- *Billing rates are subject to change periodically due to changing requirements and economic conditions. Actual fees will be based upon experience of the staff assigned and the complexity of the engagement.*

The above fees shall include all expenses incurred by the Firm with the exception of expenses incurred for travel, if any, outside the State of Indiana. No such expenses will be incurred without the prior authorization of the Client. The fees do not include the charges of other entities such as rating agencies, bond and official statement printers, couriers, newspapers, bond insurance companies, bond counsel and local counsel, and electronic bidding services, including Parity®. Coordination of the printing and distribution of Official Statements or any other Offering Document are to be reimbursed by the Client based upon the time and expense for such services.

## **EXHIBIT C**

### **Disclosure Statement of Municipal Advisor**

#### **PART A – Disclosures of Conflicts of Interest**

MSRB Rule G-42 requires that municipal advisors provide to their clients disclosures relating to any actual or potential material conflicts of interest, including certain categories of potential conflicts of interest identified in Rule G-42, if applicable. If no such material conflicts of interest are known to exist based on the exercise of reasonable diligence by the municipal advisor, municipal advisors are required to provide a written statement to that effect.

***Material Conflicts of Interest*** – The Firm makes the disclosures set forth below with respect to material conflicts of interest in connection with the Scope of Services under this Agreement, together with explanations of how the Firm addresses or intends to manage or mitigate each conflict.

***General Mitigations*** – As general mitigations of the Firm’s conflicts, with respect to all of the conflicts disclosed below, the Firm mitigates such conflicts through its adherence to its fiduciary duty to Client, which includes a duty of loyalty to Client in performing all municipal advisory activities for Client. This duty of loyalty obligates the Firm to deal honestly and with the utmost good faith with Client and to act in Client’s best interests without regard to the Firm’s financial or other interests. The disclosures below describe, as applicable, any additional mitigations that may be relevant with respect to any specific conflict disclosed below.

**I. Affiliate Conflict.** UCAS, an affiliate of the Firm (the “Affiliate”), has or is expected to provide certain advice to or on behalf of Client that is directly related to the Firm’s activities within the Scope of Services under this Agreement. In particular, providing advice to Client regarding investment of bond proceeds. The Affiliate’s business with Client could create an incentive for the Firm to recommend to Client a course of action designed to increase the level of Client’s business activities with the Affiliate or to recommend against a course of action that would reduce or eliminate Client’s business activities with the Affiliate. Furthermore, this potential conflict is mitigated by the fact that the Affiliate is subject to its own comprehensive regulatory regime as a registered investment adviser with the Securities and Exchange Commission under the federal Investment Advisers Act.

**II. Compensation-Based Conflicts.** The fees due under this Agreement are based on hourly fees of the Firm’s personnel, with the aggregate amount equaling the number of hours worked by such personnel times an agreed-upon hourly billing rate. This form of compensation presents a potential conflict of interest if Client and the Firm do not agree on a reasonable maximum amount at the outset of the engagement, because the Firm does not have a financial incentive to recommend alternatives that would result in fewer hours worked. This conflict of interest is mitigated by the general mitigations described above.

**III. Other Municipal Advisor Relationships.** The Firm serves a wide variety of other clients that may from time to time have interests that could have a direct or indirect impact on the interests of Client. For example, the Firm serves as municipal advisor to other municipal advisory clients and, in such cases, owes a regulatory duty to such other clients just as it does to Client under this Agreement. These other clients may, from time to time and depending on the specific circumstances, have competing interests, such as accessing the new issue market with the most advantageous timing and with limited competition at the time of the offering. In acting in the interests of its various clients, the Firm could potentially face a conflict of interest arising from these competing client interests. This conflict of interest is mitigated by the general mitigations described above.

#### **PART B – Disclosures of Information Regarding Legal Events and Disciplinary History**



MSRB Rule G-42 requires that municipal advisors provide to their clients certain disclosures of legal or disciplinary events material to its client's evaluation of the municipal advisor or the integrity of the municipal advisor's management or advisory personnel.

Accordingly, the Firm sets out below required disclosures and related information in connection with such disclosures.

**I. Material Legal or Disciplinary Event.** There are no legal or disciplinary events that are material to Client's evaluation of the Firm or the integrity of the Firm's management or advisory personnel disclosed, or that should be disclosed, on any Form MA or Form MA-I filed with the SEC.

**II. How to Access Form MA and Form MA-I Filings.** The Firm's most recent Form MA and each most recent Form MA-I filed with the SEC are available on the SEC's EDGAR system at <http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0001610268>.

**III. Most Recent Change in Legal or Disciplinary Event Disclosure.** The Firm has not made any material legal or disciplinary event disclosures on Form MA or any Form MA-I filed with the SEC.

### **PART C – Future Supplemental Disclosures**

As required by MSRB Rule G-42, this Disclosure Statement may be supplemented or amended, from time to time as needed, to reflect changed circumstances resulting in new conflicts of interest or changes in the conflicts of interest described above, or to provide updated information with regard to any legal or disciplinary events of the Firm. The Firm will provide Client with any such supplement or amendment as it becomes available throughout the term of the Agreement.