NEW ISSUE—Book Entry Only

Insured/Underlying Ratings: S&P "AA+ (negative outlook) / "A"
Fitch "A" (underlying only)
AGM Insured
See "BOND RATINGS" and "BOND INSURANCE" herein.

In the opinion of Ballard Spahr LLP, Bond Counsel to the City, interest on the Series 2011 Bonds is excludable from gross income for purposes of federal income tax, assuming continuing compliance with the requirements of the federal tax laws. Interest on the Series 2011 Bonds is not a preference item for purposes of either individual or corporate federal alternative minimum tax ("AMT"); however, interest paid to corporate holders of the Series 2011 Bonds may be indirectly subject to AMT under circumstances described under "TAX MATTERS" herein. Bond Counsel is also of the opinion that interest on the Series 2011 Bonds is exempt from State of Utah individual income taxes under currently existing law. See "TAX MATTERS" herein.

$11,085,000
EAGLE MOUNTAIN CITY, UTAH
GAS AND ELECTRIC REVENUE BONDS
SERIES 2011

Dated: Date of Initial Delivery **Due: June 1, as shown on inside front cover**

The Series 2011 Bonds are issuable only as fully registered bonds and when initially issued will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York, which will act as securities depository for the Series 2011 Bonds. Purchases of beneficial ownership interests in the Series 2011 Bonds will be made in book-entry form only, in denominations of $5,000 or integral multiples thereof. Beneficial Owners of the Series 2011 Bonds will not receive physical delivery of bond certificates evidencing their ownership of the Series 2011 Bonds. See "THE SERIES 2011 BONDS—Book-Entry Only System."

Interest on the Series 2011 Bonds is payable on each June 1 and December 1, commencing June 1, 2012. So long as DTC or its nominee is the Registered Owner of the Series 2011 Bonds, payments of the principal and interest on the Series 2011 Bonds will be made directly to DTC. 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 2011 BONDS—Book-Entry Only System."

SEE MATURITY SCHEDULE ON INSIDE FRONT COVER

The Series 2011 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein. See "THE SERIES 2011 BONDS—Redemption Provisions" herein.

Proceeds from the sale of the Series 2011 Bonds will be used to provide funds to (a) finance the acquisition of property for rights of way and the construction of a substation, power lines, and related improvements, (b) acquire a reserve fund surety for deposit to a debt service reserve fund, and (c) pay costs of issuance related to the Series 2011 Bonds. See "THE SERIES 2011 PROJECT" and "ESTIMATED SOURCES AND USES OF FUNDS." The principal of, premium, if any, and interest on the Series 2011 Bonds are payable solely from and secured solely by a pledge of the Revenues derived from the operation of the City's gas and electric facilities after provision has been made for the payment of Operation and Maintenance Expenses of the System, and other funds pledged under the Indenture. See "SECURITY FOR THE BONDS."

The Series 2011 Bonds are special limited obligations of the City as described herein. Neither the credit nor the taxing power of the City or the State of Utah or any agency, instrumentality or political subdivision thereof is pledged for the payment of the principal of premium, if any, or interest on the Series 2011 Bonds. The Series 2011 Bonds are not general obligations of the City or the State of Utah or any agency, instrumentality or political subdivision thereof. The issuance of the Series 2011 Bonds shall not directly, indirectly, or contingently obligate the City or the State of Utah or any agency, instrumentality or political subdivision thereof to levy any form of taxation therefor or to make any appropriation for the payment of the Series 2011 Bonds.

The scheduled payment of principal of and interest on the Series 2011 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2011 Bonds by Assured Guaranty Municipal Corp. (referred to herein as "AGM" or the "Insurer").

ASSURED GUARANTY
MUNICIPAL

This cover page contains only a brief description of the Series 2011 Bonds and the security therefor, and is designed for quick reference only. The cover page is not a summary of all material information with respect to the Series 2011 Bonds. Investors are advised to read the entire Official Statement in order to obtain information essential to the making of an informed investment decision. This Official Statement is dated August 12, 2011, and the information contained herein speaks only as of that date.

The Series 2011 Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Ballard Spahr LLP, Bond Counsel to the City. Certain matters pertaining to disclosure will be passed upon by Ballard Spahr LLP, Disclosure Counsel to the City. Certain legal matters will be passed on for the City by Parsons, Kinghorn, Harris, Salt Lake City, Utah. It is expected that the Series 2011 Bonds, in book-entry form, will be available for delivery to DTC or its agent on or about August 18, 2011.

George K. Baum & Company

$11,085,000
EAGLE MOUNTAIN CITY, UTAH
GAS AND ELECTRIC REVENUE BONDS
SERIES 2011

MATURITY SCHEDULE

Due (June 1)	Principal Amount	Interest Rate	Yield	CUSIP†
2012	$720,000	3.000%	1.00%	26970N AU4
2013	605,000	2.250	1.14	26970N AV2
2014	565,000	2.000	1.33	26970N AW0
2015	530,000	2.250	1.56	26970N AX8
2016	485,000	2.250	1.92	26970N AY6
2017	445,000	4.000	2.28	26970N AZ3
2018	405,000	4.000	2.67	26970N BA7
2019	420,000	5.000	2.97	26970N BB5
2020	445,000	5.000	3.18	26970N BC3
2021	470,000	5.000	3.35	26970N BD1
2022	490,000	3.500	3.65	26970N BE9
2023	505,000	3.625	3.85	26970N BF6
2024	525,000	5.000	3.93 (c)	26970N BG4
2025	540,000	4.000	4.15	26970N BH2
2026	575,000	5.000	4.17 (c)	26970N BJ8

$3,360,000 4.375% Term Bond Maturing on June 1, 2031, Price 96.461% CUSIP† 26970N BP4

† 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 2011 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 2011 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2011 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.

(c) Priced to call on June 1, 2021.

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

No dealer, broker, salesman or any other person has been authorized by the City, or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering contained herein, and, if given or made, such information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy nor shall there be any sale of the Series 2011 Bonds by any person in any jurisdiction in which it is unlawful for such offer, solicitation or sale.

All inquiries relating to this Official Statement and the offering contemplated herein should be directed to the Underwriter. Prospective investors may obtain additional information from the Underwriter or the City which they may reasonably require in connection with the decision to purchase any of the Series 2011 Bonds from the Underwriter.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Forward-looking statements are included in the Official Statement under the captions "THE SERIES 2011 PROJECT," "THE SYSTEM," "ESTIMATED SOURCES AND USES OF FUNDS," and "HISTORICAL AND PRO FORMA DEBT SERVICE COVERAGE." The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

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

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

The yields at which the Series 2011 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 2011 Bonds. Such transactions, if commenced, may be discontinued at any time.

The City maintains a website; however, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2011 Bonds.

THE SERIES 2011 BONDS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. THE SERIES 2011 BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Series 2011 Bonds or the advisability of investing in the Series 2011 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "APPENDIX G—SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

$11,085,000
EAGLE MOUNTAIN CITY, UTAH
GAS AND ELECTRIC REVENUE BONDS
SERIES 2011

Eagle Mountain City
1650 East Stagecoach Run
Eagle Mountain, Utah 84005
(801) 789-6600 - Fax: (801) 789-6650

CITY OFFICIALS

Heather Jackson .... Mayor
Donna Burnham .... Councilmember
Jon Celaya .... Councilmember
Ryan Ireland .... Councilmember
Nathan Ochsenhirt .... Councilmember
John Painter .... Councilmember

ADMINISTRATIVE STAFF

John Hendrickson .... City Administrator
Ifo Pili .... Assistant City Administrator
Gordon Burt .... City Treasurer
Fionnuala Kofoed .... City Recorder
Adam Ferre .... Energy Division Director

TRUSTEE, PAYING AGENT, AND REGISTRAR

U.S. Bank National Association
Corporate Trust Department
170 South Main Street, Suite 200
Salt Lake City, Utah 84101
(801) 534-6083 – Fax: (801) 534-6013

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41 North Rio Grande, Suite 101
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OFFICIAL STATEMENT RELATING TO
$11,085,000
EAGLE MOUNTAIN CITY, UTAH
GAS AND ELECTRIC REVENUE BONDS
SERIES 2011

INTRODUCTION

This introduction is only a brief description of (i) the Series 2011 Bonds, as hereinafter defined, (ii) the security and source of payment for the Series 2011 Bonds, (iii) certain information regarding Eagle Mountain City, Utah (the "City"), (iv) the hereinafter described Series 2011 Project, (v) the City's natural gas system (the "Gas System"), and (vi) the City's electric power system (the "Electric System" and together with the Gas System, the "System"). The information contained herein is expressly qualified by reference to the entire Official Statement. Investors are urged to make a full review of the entire Official Statement as well as of the documents summarized or described herein. Capitalized terms used herein and not otherwise defined are defined in "APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" below.

See also the following appendices attached hereto: APPENDIX A—BASIC FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED JUNE 30, 2010; APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE; APPENDIX C—GENERAL INFORMATION REGARDING THE CITY AND UTAH COUNTY, APPENDIX D—FORM OF OPINION OF BOND COUNSEL; APPENDIX E—FORM OF CONTINUING DISCLOSURE UNDERTAKING; APPENDIX F—PROVISIONS REGARDING BOOK-ENTRY ONLY SYSTEM and APPENDIX G—SPECIMEN MUNICIPAL BOND INSURANCE POLICY.

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, opinion, 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.

The Series 2011 Bonds

This Official Statement, including the cover page, introduction and appendices, provides information in connection with the issuance and sale by the City of its $11,085,000 Gas and Electric Revenue Bonds, Series 2011 (the "Series 2011 Bonds"), initially issued in book-entry form only. The Series 2011 Bonds will mature in the amounts and bear interest at the rates set forth on the inside cover page of this Official Statement. The Series 2011 Bonds are subject to optional and mandatory sinking fund redemption as described herein. See "THE SERIES 2011 BONDS" herein.

The Project and Uses of Proceeds

Proceeds of the Series 2011 Bonds will be used to (a) finance the acquisition of property for rights of way and the construction of a substation, power lines, and related improvements (collectively, the "Series 2011 Project"), (b) acquire a reserve fund surety for deposit to a debt service reserve fund, and (c) pay costs of issuance related to the Series 2011 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The City

The City was incorporated on December 3, 1996. The City covers approximately 52.7 square miles and is located approximately 30 miles northwest of Provo City and approximately 40 miles southwest of Salt Lake City. At the time the City was incorporated, it consisted primarily of agricultural land, had no commercial area and had a population of approximately 175 people. The City has experienced steady development and estimates that it is approximately 15% built-out and anticipates reaching full build-out in the next 50 years with a population of approximately 225,000. The City estimates that its population in 2010 was approximately 24,000. For more information with respect to the City, see "EAGLE MOUNTAIN CITY," "APPENDIX A— BASIC FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED JUNE 30, 2010," and "APPENDIX C—GENERAL INFORMATION REGARDING THE CITY AND UTAH COUNTY" herein.

The System

The Gas System includes a 6-inch high pressure gas line from the Kern River Gas Tap located in the southern area of the City. The gas is delivered to the City's distribution system under a transportation contract with the Kern River Pipeline Company. The Gas System currently serves approximately 5,524 equivalent residential units (ERUs). The City's current distribution system has the capacity to serve approximately 25,000 ERUs. The total capacity of the 6-inch high pressure gas line is approximately 50,000 ERUs. See "THE SYSTEM—The Gas System" herein.

The Electric System consists of a 138 kiloVolt ("kV") transmission line, 138kV interconnection substation, 138–12.47Y/7.2kV substation, and 12.47Y/7.2kV distribution system. The Electric System presently includes approximately 150 miles of 138kV overhead transmission and 12.47Y/7.2kV overhead and underground distribution. The City's 138kV overhead transmission line is connected to a PacifiCorp 138kV overhead transmission line at the interconnection substation.

The Electrical System currently supplies up to 21 megawatts ("MW") during the summertime. The City's current substation is capable of reliably supplying up to 33 MW. The existing transmission line and interconnection substation have the capacity to handle up to 170 MW. See "THE SYSTEM—The Electric System" herein.

As part of the Series 2011 Project, the City will construct a new substation in the southern portion of the City and a new 138kV transmission line. See "THE SERIES 2011 PROJECT."

Authority for the Series 2011 Bonds

The Series 2011 Bonds are being issued pursuant to (i) the Local Government Bonding Act, Title 11, Chapter 14, Utah Code Annotated 1953, as amended (the "Act"); (ii) a General Indenture of Trust dated as of September 1, 2005 (the "General Indenture"), as heretofore amended and supplemented, between the City and U.S. Bank National Association, as trustee (the "Trustee"); (iii) a Second Supplemental Indenture of Trust dated as of August 1, 2011 (the "Second Supplemental Indenture" and together with the General Indenture, the "Indenture"); (iv) Resolutions of the City Council of the City (the "City Council") adopted on May 3, 2011 and August 2, 2011 (together, the "Resolution"); and (v) other applicable provisions of law.

Security and Sources of Payment

The Series 2011 Bonds will be payable from and secured solely by a pledge and assignment of the Net Revenues of the System and moneys on deposit in the funds and accounts held by the Trustee under the Indenture (except the Rebate Fund). The Revenues of the System will be applied to pay the System's Operation and Maintenance Expenses before being applied to pay principal of and interest on the Bonds. See "SECURITY FOR THE BONDS" herein. The Series 2011 Bonds are secured on a lien parity with the Outstanding Parity Bonds (as defined 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 BONDS" herein.

The Series 2011 Bonds are special limited obligations of the City payable solely from the Net Revenues of the System (except to the extent paid out of moneys attributable to Bond proceeds or other funds created under the Indenture and held by the Trustee (except the Rebate Fund) or the income from the temporary investment thereof). The Series 2011 Bonds will not be a general obligation of the City, the State of Utah or any agency, instrumentality or political subdivision thereof. Neither the faith and credit nor the taxing power of the City, the State of Utah or any agency, instrumentality or political subdivision thereof will be assigned or pledged for payment of the Series

2011 Bonds. The Indenture does not pledge any properties of the System. THE CITY WILL NOT MORTGAGE OR GRANT A SECURITY INTEREST IN THE SYSTEM TO SECURE PAYMENT OF THE SERIES 2011 BONDS.

Bond Insurance

The scheduled payment of principal of and interest on the Series 2011 Bonds when due will be guaranteed under a municipal bond insurance policy (the "Policy") to be issued concurrently with the delivery of the Series 2011 Bonds by Assured Guaranty Municipal Corp. (referred to herein as "AGM" or the "Insurer"). See "BOND INSURANCE" herein.

Outstanding Parity Bonds

The City has previously issued its Gas and Electric Refunding Bonds, Series 2005 (the "Outstanding Parity Bonds"), which are currently outstanding in the aggregate principal amount of $19,275,000. Said Bonds were issued to finance certain improvements to the System and refund certain prior obligations. The Outstanding Parity Bonds are payable from and secured by the Net Revenues on a parity with the Series 2011 Bonds. See "SECURITY FOR THE BONDS" herein.

Additional Bonds

The Indenture permits the issuance of Additional Bonds secured by the Net Revenues on a parity with the Series 2011 Bonds and Outstanding Parity Bonds, but requires that the City provide certain certificates and opinions as a condition to the issuance of Additional Bonds. Included in these conditions is the requirement that the Net Revenues for the most recent Bond Fund Year were not less than 125% of the sum of the Aggregate Annual Debt Service Requirement on Bonds then outstanding and the Additional Bonds proposed to be issued. See "SECURITY FOR THE BONDS—Additional Bonds" herein. The Series 2011 Bonds, the Outstanding Parity Bonds, and any Additional Bonds issued under the Indenture are referred to collectively herein as the "Bonds."

Registration, Denominations, Manner of Payment

The Series 2011 Bonds are issuable only as fully registered bonds 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 for the Series 2011 Bonds. Purchases of Series 2011 Bonds will be made in book-entry form only in the principal amount of $5,000 minimum denominations and integral multiples of $5,000 (collectively, "*Authorized Denominations*"); through brokers and dealers who are, or who act through, DTC Participants. Beneficial Owners of the Series 2011 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 2011 Bonds.

Principal of and interest on the Series 2011 Bonds (interest payable on each June 1 and December 1, commencing June 1, 2012) shall be paid by U.S. Bank National Association, Corporate Trust Services, Salt Lake City, Utah, as Paying Agent, to the Registered Owners of the Series 2011 Bonds. So long as DTC is the Registered Owner, it will, in turn, remit such principal and interest payments to its Participants, for subsequent disbursements to the Beneficial Owners of the Series 2011 Bonds as described under the caption "THE SERIES 2011 BONDS—Book-Entry Only System" below.

Transfer or Exchange

So long as the book-entry system is in effect, Beneficial Owners may transfer their interests in the Series 2011 Bonds through the book-entry system. In the event the book-entry system is discontinued, the Series 2011 Bonds may be transferred or exchanged as described below. See "THE SERIES 2011 BONDS—General" below.

Tax-Exempt Status

Federal Income Tax. In the opinion of Ballard Spahr LLP, Bond Counsel to the City, interest on the Series 2011 Bonds is excludable from gross income for purposes of federal income tax, assuming continuing compliance with the requirements of the federal tax laws. Interest on the Series 2011 Bonds is not a preference item for purposes of either individual or corporate federal alternative minimum tax ("AMT"); however, interest paid to corporate holders of the Series 2011 Bonds may be indirectly subject to AMT under circumstances described under "TAX MATTERS" herein.

Bond Counsel expresses no opinion regarding any other federal tax consequences relating to ownership or disposition of or the accrual or receipt of interest on the Series 2011 Bonds.

State Income Tax. Bond Counsel is also of the opinion that, under currently existing laws, interest on the Series 2011 Bonds is exempt from State of Utah individual income taxes. See "TAX MATTERS" herein.

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

The Series 2011 Bonds are offered, subject to prior sale, when, as, and if issued and received by George K. Baum & Company, as underwriter (the "Underwriter"), subject to the approval of legality by Ballard Spahr LLP, Bond Counsel to the City, and certain other conditions. Certain matters relating to disclosure will be passed upon by Ballard Spahr LLP, Disclosure Counsel to the City. Certain legal matters will be passed on for the City by its counsel, Parsons, Kinghorn, Harris, Salt Lake City, Utah. See "LEGAL MATTERS" below. It is expected that the Series 2011 Bonds in book-entry form will be available for delivery to DTC or its agent on or about August 18, 2011.

Basic Documentation

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Brief descriptions of the City, the System, the Series 2011 Bonds, and the Indenture are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Indenture are qualified in their entirety by reference to such document, and references herein to the Series 2011 Bonds are qualified in their entirety by reference to the form thereof included in the Indenture and the information with respect thereto included in the aforementioned document, copies of which are available for inspection at the principal office of the Trustee on or after the delivery of the Series 2011 Bonds. During the period of the offering of the Series 2011 Bonds, copies of the preliminary form of such documents will be available from the "contact persons" as indicated below. Also see "APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE."

Bondholders' Risks

The purchase of the Series 2011 Bonds involves a degree of risk. Certain of the risks associated with the purchase and ownership of the Series 2011 Bonds are discussed herein. For a description of certain risks associated with the Series 2011 Bonds, see "BONDHOLDERS' RISKS" below. Potential purchasers of Series 2011 Bonds are encouraged to read the Official Statement in its entirety to gain an appreciation of the risk involved in purchasing the Series 2011 Bonds.

Contact Persons

The chief contact person for the City concerning the Series 2011 Bonds is:

John Hendrickson
City Administrator
1650 East Stagecoach Run
Eagle Mountain, Utah 84005
Telephone: (801) 789-6600 Fax: (801) 789-6650

Additional requests for information may be directed to the City's financial advisor at the following:

Laura D. Lewis
Lewis Young Robertson & Burningham, Inc.
41 North Rio Grande, Suite 101
Salt Lake City, Utah 84101
Telephone: (801) 596-0700 Fax: (801) 596-2800

Additional Information

Capitalized terms used herein and not otherwise defined have the meanings given them in the Indenture. See "APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE—Definitions."

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Series 2011 Bonds. The statements of the City herein are not to be construed as statements by any member of the City Council of the City or any employee of the City.

THE SERIES 2011 BONDS

General

The Series 2011 Bonds will be dated the date of their issuance and will mature on June 1, of the years and in the amounts as set forth on the inside front cover page of this Official Statement.

The Series 2011 Bonds shall bear interest from their date at the rates set forth on the inside front cover page of this Official Statement. Interest on the Series 2011 Bonds is payable on June 1, 2012, and semiannually thereafter on June 1 and December 1 of each year (each in "Interest Payment Date"). Interest on the Series 2011 Bonds shall be computed on the basis of a 360-day year of twelve 30-day months. U.S. Bank National Association, Corporate Trust Department, Salt Lake City, Utah, is the Bond Registrar, Paying Agent and Trustee for the Series 2011 Bonds under the Indenture (in such respective capacities, the "Bond Registrar," "Paying Agent" and "Trustee").

The interest on the Series 2011 Bonds so payable, and punctually paid and duly provided for, on any Interest Payment Date will be paid to the Registered Owner (initially DTC) thereof at the close of business on the Regular Record Date for such interest, which shall be the fifteenth day (whether or not a Business Day) immediately preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Registered Owner of any Series 2011 Bonds on such Regular Record Date, and may be paid to the Registered Owner thereof at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice thereof to be given to such Registered Owner not less than ten days prior to such Special Record Date.

The Series 2011 Bonds will be issued as fully registered bonds, initially in book-entry form, in the denomination of $5,000 or any integral multiple thereof (an "Authorized Denomination"), not exceeding the amounts of each maturity.

Upon surrender for transfer of any Series 2011 Bond at the principal corporate trust office of the Trustee, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Trustee and duly executed by, the Registered Owner or his attorney duly authorized in writing, the City shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees, a new Series 2011 Bond or Series 2011 Bonds of the same Series and the same maturity for a like aggregate principal amount as the Series 2011 Bond surrendered for transfer. Series 2011 Bonds may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount of Series 2011 Bonds of the same maturity. The execution by the City of any Series 2011 Bond of any authorized denomination shall constitute full and due authorization of such denomination, and the Trustee shall thereby be authorized to authenticate and deliver such Series 2011 Bond. The City and the Trustee shall not be required to transfer or exchange any Series 2011 Bond (i) during the period from and including any Regular Record Date, to and including the next succeeding Interest Payment Date, (ii) during the period from and including the day fifteen days prior to any Special Record Date, to and including the date of the proposed payment pertaining thereto, (iii) during the period from and including the day fifteen days prior to the mailing of notice calling any Series 2011 Bonds for redemption, to and including the date of such mailing, or (iv) at any time following the mailing of notice calling such Series 2011 Bond for redemption.

The City, the Registrar and the Paying Agent may treat and consider the person in whose name each Series 2011 Bond is registered on the registration books kept by the Registrar as the holder and absolute owner thereof for the purpose of receiving payment of, or on account of, the principal or redemption price thereof and interest due thereon and for all other purposes whatsoever, and neither the City, nor the Registrar nor the Paying Agent shall be affected by any notice to the contrary. Payment of or on account of either principal of or interest on any Series 2011 Bond shall be made only to or upon order of the Registered Owner thereof or such person's legal representative, but such registration may be changed as provided in the Indenture. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Series 2011 Bond to the extent of the sum or sums so paid.

The Trustee shall require the payment by the Bondholder requesting exchange or transfer of Series 2011 Bonds of any tax or other governmental charge and by the City of any service charge of the Trustee as Registrar which are required to be paid with respect to such exchange or transfer and such charges shall be paid before such new Series 2011 Bond shall be delivered.

Book-Entry Only System

The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the Series 2011 Bonds. The Series 2011 Bonds will be issued as fully registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Series 2011 Bond certificate will be issued for each maturity of the Series 2011 Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC. See "APPENDIX F—PROVISIONS REGARDING BOOK-ENTRY ONLY SYSTEM," herein.

Redemption Provisions

Optional Redemption. The Series 2011 Bonds maturing on or prior to June 1, 2021 are not subject to redemption prior to maturity. The Series 2011 Bonds maturing on or after June 1, 2022 are subject to redemption at the option of the City on June 1, 2021, and on any date thereafter prior to maturity, in whole or in part, from such maturities of parts thereof as may be selected by the City at a redemption price equal to 100% of the principal amount of the Series 2011 Bonds to be redeemed plus accrued interest thereon to the date of redemption.

Mandatory Sinking Fund Redemption. The Series 2011 Bonds maturing on June 1, 2031 are subject to mandatory sinking fund redemption by the Trustee at a price of 100% of the principal amount thereof plus accrued interest to the redemption date on the dates and in the principal amounts as follows:

Mandatory Sinking Fund Redemption Date (June 1)	Sinking Fund Requirements
2027	$615,000
2028	645,000
2029	670,000
2030	700,000
2031†	730,000

† Stated Maturity.

Upon redemption of any Series 2011 Bonds maturing on June 1, 2031, other than pursuant to a mandatory sinking fund redemption, the principal amount so redeemed shall be credited toward a part or all of any one or more such Mandatory Sinking Fund amounts for the Series 2011 Bonds maturing on June 1, 2031 in such order as shall be determined by the City.

Selection for Redemption. Except for redemption pursuant to mandatory sinking fund requirements above, if fewer than all Series 2011 Bonds are to be redeemed, the particular maturities of such Series 2011 Bonds and the principal amount of such maturities to be redeemed shall be selected by the City. If fewer than all of the Series 2011 Bonds of any one maturity called for redemption, the particular units of Series 2011 Bonds to be redeemed shall be selected by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate. The portion of any Series 2011 Bond of a denomination of more than an Authorized Denomination to be redeemed will be in the principal amount of an Authorized Denomination or any integral multiple thereof, and in selecting portions of such bonds for redemption, each such bond shall be treated as representing that number of Series 2011 Bonds of an Authorized Denomination which is obtained by dividing the principal amount of such Series 2011 Bonds by the minimum Authorized Denomination.

Notice of Redemption. So long as the Series 2011 Bonds are in book-entry only form, the Paying Agent shall notify DTC of an early redemption not less than 30 days nor more than 60 days prior to the date fixed for redemption, and shall provide such information as required by the Indenture.

THE SERIES 2011 PROJECT

Proceeds of the Series 2011 Bonds will be used to finance improvements to the System, including the acquisition of property for rights of way and the construction of a new substation in the southern portion of the City, a new 138kV transmission line, and related improvements. With the completion of the new southern substation, the distribution system will be able to supply an additional 33 MW for a total distribution system capacity of 66 MW. Completion of the 138kV transmission line will provide a redundant source of power delivery to the City in case of equipment failure or damage to the existing 138 kV line. Overall, the Series 2011 Project will provide redundancy to and improve reliability of the System and accommodate future growth and economic development. See "THE SYSTEM" below.

ESTIMATED SOURCES AND USES OF FUNDS

The sources and uses of funds in connection with the issuance of the Series 2011 Bonds are estimated to be as follows:

Sources:

Par Amount of Series 2011 Bonds	$11,085,000.00
Original Issue Net Premium	251,857.40
Total Sources	$11,336,857.40

Uses:

Acquisition/Construction Fund	$11,000,000.00
Costs of Issuance(1)	336,857.40
Total Uses	$11,336,857.40

(1) Including underwriter's discount, legal fees, printing fees, surety reserve and bond insurance premiums, and other miscellaneous costs of issuance.

DEBT SERVICE SCHEDULE ON THE BONDS

The following table sets forth the debt service schedule for the Series 2011 Bonds and the Outstanding Parity Bonds.

	Series 2011 Bonds		*Outstanding Parity Bonds*	
Period Ending (June 30)	Principal	Interest[(1)]	Principal & Interest[(1)]	Annual Debt Service[(1)]
2012	$720,000	$337,365	$1,603,599	$2,660,963
2013	605,000	407,556	1,652,680	2,665,236
2014	565,000	393,944	1,703,055	2,661,999
2015	530,000	382,644	1,753,255	2,665,899
2016	485,000	370,719	1,805,055	2,660,774
2017	445,000	359,806	1,856,688	2,661,494
2018	405,000	342,006	1,914,688	2,661,694
2019	420,000	325,806	1,916,938	2,662,744
2020	445,000	304,806	1,915,938	2,665,744
2021	470,000	282,556	1,912,075	2,664,631
2022	490,000	259,056	1,915,075	2,664,131
2023	505,000	241,906	1,914,325	2,661,231
2024	525,000	223,600	1,914,825	2,663,425
2025	540,000	197,350	1,916,325	2,653,675
2026	575,000	175,750	1,912,350	2,663,100
2027	615,000	147,000	–	762,000
2028	645,000	120,094	–	765,094
2029	670,000	91,875	–	761,875
2030	700,000	62,563	–	762,563
2031	730,000	31,938	–	761,938
Total	$11,085,000	$5,058,340	$27,606,871	$43,750,210

(1) Amounts have been rounded. Totals may not foot due to rounding.
(Source: Financial Advisor.)

SECURITY FOR THE BONDS

Pledge of the Indenture

The Series 2011 Bonds, the Outstanding Parity Bonds, and any other Bonds hereafter issued pursuant to the Indenture are secured equally and ratably by a pledge of (i) the Net Revenues, (ii) all moneys in funds and accounts held by the Trustee under the Indenture (except the Rebate Fund), and (iii) all other rights granted under the Indenture. The Series 2011 Bonds are special limited obligations of the City and are payable exclusively from the Net Revenues, moneys, funds and accounts held under the Indenture. As defined under the Indenture, "Net Revenues" means the Revenues after provision has been made for the payment therefrom from Operation and Maintenance Expenses.

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

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

Neither the faith and credit nor the taxing power of the City is pledged as security for the Series 2011 Bonds. The Series 2011 Bonds do not constitute general obligations of the City or of any other entity or body, municipal, state or otherwise. The Indenture does not pledge any System properties.

For a description of the System, rates and charges for services provided by the System and moneys available for use in connection with the System, see "THE SYSTEM" and "THE SYSTEM—Rates" herein.

Debt Service Reserve

The Indenture establishes a Debt Service Reserve Requirement and an account in the Debt Service Reserve Fund with respect to the Series 2011 Bonds. Initially the Debt Service Reserve Requirement for the Series 2011 Bonds will be $1,019,865.62 and will be funded with the Reserve Policy. The Reserve Policy constitutes a Reserve Instrument under the Indenture. The Series 2011 Bonds will only be delivered upon the issuance of such Reserve Policy. The premium on the Reserve Policy is to be fully paid at or prior to the issuance and delivery of the Series 2011 Bonds.

The account in the Debt Service Reserve Fund for the Series 2011 Bonds secures only the Series 2011 Bonds and may not be drawn upon to pay debt service on any other Series of Bonds outstanding under the Indenture. In connection with the issuance of Additional Bonds under the Indenture, the City shall establish an account in the Debt Service Reserve Fund for such Additional Bonds and shall fund such account in an amount equal to the Debt Service Reserve Requirement for said Additional Bonds. Additional Bonds will be secured by a separate account in the Debt Service Reserve Fund.

In the event funds on deposit in the account in the Debt Service Reserve Fund for the Series 2011 Bonds are needed to make up any deficiencies in the Bond Fund for the Series 2011 Bonds, amounts available in such account shall be transferred to the Bond Fund for such purposes and the City will be required to restore the Debt Service Reserve Fund for the Series 2011 Bonds from Net Revenues within one year with twelve substantially equal payments.

Funds on deposit in the accounts in Debt Service Reserve Fund in excess of the amount required to be maintained therein will be transferred to the Bond Fund at least once each year. Moneys held in the Debt Service Reserve Fund shall be invested, at the direction of the City, in Qualified Investments.

Flow of Funds

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

(a) First, to pay all Operation and Maintenance Expenses of the System as the same become due and payable;

(b) Second, to pay the principal of, premium, if any, and interest on all Bonds outstanding under the Indenture;

(c) Third, to the extent the Debt Service Reserve Requirement is not funded with a Reserve Instrument or Instruments, to make all payments to the account in the Debt Service Reserve Fund and, as applicable, to the Reserve Instrument Fund in the amount required by the Indenture to be on deposit therein;

(d) Fourth, to deposit in the Repair and Replacement Fund any amount required by the Indenture, if any, to accumulate therein the Repair and Replacement Reserve Requirement (which Repair and Replacement Fund is not required to be funded in connection with the issuance of the Series 2011 Bonds);

(e) Any excess Net Revenues remaining after making the foregoing deposits are to be used for (i) the redemption of Bonds for cancellation prior to maturity by depositing the same into the Bond Fund, (ii) the refinancing, refunding, or advance refunding of any Bonds, or (iii) for any other lawful purpose; and

(f) The Net Revenues remaining after the foregoing deposits and transfers and not required to be used for remedying any defaults in the payments previously made into the funds described above may be used at any time for any lawful purpose.

Rate Covenant

So long as any Bonds or any Repayment Obligations are Outstanding, the rates, including connection fees, for all services supplied by the System to all customers within or without the boundaries of the City when combined with other Revenues, 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 125% of the Aggregate Annual Debt Service Requirement for such Bond Fund 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 gas or electric service, and such rates shall be charged against all users of the System, including the City. The City agrees that should its annual financial statements disclose that during the period covered by such financial statements the Net Revenues were not at least equal to the above requirement, the City shall request that a Qualified Engineer make recommendations as to the revision of the rates, charges and fees and that the City, on the basis of such recommendations, will revise the schedule of rates, charges and fees insofar as is practicable and further revise Operation and Maintenance Expenses so as to produce the necessary Net Revenues as required in the Indenture.

"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.

The rates and charges imposed by the City are not subject to approval or regulation by any governmental entity or agency within the State of Utah (the "State"). For a discussion of the rates and charges imposed by the City with respect to the System and for a comparison of rates and charges imposed by other municipalities located near the City, please see "THE SYSTEM—Rates" herein.

Outstanding Parity Bonds

The City has previously issued the Outstanding Parity Bonds which are currently outstanding in the aggregate principal amount of $19,275,000. Said Bonds were issued to finance certain improvements to the System and refund certain prior obligations. The Outstanding Parity Bonds are payable from and secured by the Net Revenues on a parity with the Series 2011 Bonds.

Additional Bonds

The City is permitted to issue Additional Bonds secured by the Net Revenues in accordance with the terms of the Indenture. See "APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE—Additional Bonds." The City does not have any current plans to issue any Additional Bonds within the next three years.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Series 2011 Bonds, Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") will issue its Municipal Bond Insurance Policy for the Series 2011 Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Series 2011 Bonds when due as set forth in the form of the Policy included as APPENDIX G to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

The Insurer

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("Holdings"). Holdings is an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

AGM's financial strength is rated "AA+" (negative outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "Aa3" (negative outlook) by Moody's Investors Service, Inc. ("Moody's"). An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by AGM. AGM does not guarantee the market price of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On August 8, 2011, S&P published a Research Update in which it affirmed the "AA+" financial strength rating of AGM. At the same time, S&P revised the rating outlook on AGM to negative from stable. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

On January 24, 2011, S&P published a Request for Comment: Bond Insurance Criteria (the "Bond Insurance RFC") in which it requested comments on its proposed changes to its bond insurance ratings criteria. In the Bond Insurance RFC, S&P notes that it could lower its financial strength ratings on existing investment-grade bond insurers (including AGM) by one or more rating categories if the proposed bond insurance ratings criteria are adopted, unless those bond insurers (including AGM) raise additional capital or reduce risk. Reference is made to the Bond Insurance RFC, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

On December 18, 2009, Moody's issued a press release stating that it had affirmed the "Aa3" insurance financial strength rating of AGM, with a negative outlook. Reference is made to the press release, a copy of which is available at www.moodys.com, for the complete text of Moody's comments.

There can be no assurance as to any further ratings action that Moody's or S&P may take with respect to AGM.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2010, which was filed by AGL with the

Securities and Exchange Commission (the "SEC") on March 1, 2011, AGL's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011, which was filed by AGL with the SEC on May 10, 2011, and AGL's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011, which was filed by AGL with the SEC on August 9, 2011.

Capitalization of AGM

At June 30, 2011, AGM's consolidated policyholders' surplus and contingency reserves were approximately $3,050,613,849 and its total net unearned premium reserve was approximately $2,254,726,646, in each case, in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the SEC that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- the Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (which was filed by AGL with the SEC on March 1, 2011);
- the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011 (which was filed by AGL with the SEC on May 10, 2011); and
- the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011 (which was filed by AGL with the SEC on August 9, 2011).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Exchange Act after the filing of the last document referred to above and before the termination of the offering of the Series 2011 Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption "BOND INSURANCE—The Insurer" or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

AGM makes no representation regarding the Series 2011 Bonds or the advisability of investing in the Series 2011 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE."

FORWARD-LOOKING STATEMENTS

This Official Statement, including the Appendices hereto and the following, contain forward-looking statements. Although the City believes in making any such forward-looking statement its expectations are based on reasonable assumptions, any such forward-looking statement involves uncertainties and is qualified in its entirety by reference to the following important factors, among others, that could cause the actual results of the City to differ materially from those contemplated in such forward-looking statements:

- prevailing governmental policies and regulatory actions, including those of the Federal Energy Regulatory Commission ("FERC");
- power costs and availability, including the continued development and financial stability of owners, of merchant power plants in the State;
- weather conditions and other natural phenomena;
- unanticipated population growth or decline and changes in market demand and demographic patterns;
- changes in business strategy, development plans or vendor relationships;
- competition for retail and wholesale customers;
- access to adequate transmission facilities to meet changing demands;
- unanticipated changes in interest rates, commodity prices or rates of inflation;
- unanticipated changes in operating expenses and capital expenditures;
- commercial bank market and capital market conditions; and legal and administrative proceedings and settlements.

Any forward-looking statement speaks only as of the date on which such statement is made, and the City undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for the City to predict all of such factors, nor can it assess the impact of each such factor or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement.

THE SYSTEM

General

The City owns and operates the Electric System and the Gas System which together constitute the System. Set forth below is a description of both the Electric System and the Gas System. As stated elsewhere in this Official Statement, the Net Revenues generated from the operation of the System are pledged to pay principal of and interest on the Bonds.

The Electric System

Facilities. The Electric System consists of a 138kV transmission line, 138kV interconnection substation, 138–12.47Y/7.2kV north substation, and 12.47Y/7.2kV distribution system. The Electric System presently includes approximately 150 miles of 138kV overhead transmission and 12.47Y/7.2kV overhead and underground distribution. Most of the existing distribution system is installed underground. The City's 138kV overhead transmission line is connected to a PacifiCorp 138kV overhead transmission line at the interconnection substation.

The Electrical System currently supplies up to 21 MW during the summertime. The City's current substation is capable of reliably supplying up to 33 MW. The existing transmission line and interconnection substation have the capacity to handle up to 170 MW.

As part of the Series 2011 Project, the City will construct a new substation in the southern portion of the City and a new 138kV transmission line. With the completion of the south substation, the distribution system will be able to supply an additional 33 MW for a total distribution system capacity of 66 MW. Completion of the 138kV transmission line will provide a redundant source of power delivery to the City in case of equipment failure or damage to the existing 138 kV line.

Operations. The City currently employs a staff of seven full-time employees to operate and maintain the Electric System. The Electric System has received recognition for its innovation in operating and maintaining a reliable and efficient power system. It has also received awards such as the Utah Associated Municipal Power Systems System Improvements Award 2009, UAMPS Smart Energy Innovation Award 2010, and Intermountain Power Superintendant Association 1st Place Safety Award 2009-2010 with no lost time accidents. The City is also a member of the American Public Power Association.

Adam Ferre serves as the City's Energy Division Director. As Energy Division Director, Mr. Ferre oversees the management of the System. Mr. Ferre has worked in the City since its incorporation in 1996. As an employee of Tasco Engineering, he was part of the team that installed the City's energy utilities in 1997. He has been an employee of the City since March 1999. Mr. Ferre attended Utah Valley State College and Northwest Lineman College and earned a Journeyman Lineman Degree. He also sits on the board of directors for the Utah Association of Municipal Power Systems.

John Hendrickson is the City Administrator. Mr. Hendrickson has over 35 years experience in city management, having served in California, Idaho, Wyoming, and Utah. He has served as City Administrator the last four years and has helped guide the City's rapid growth and build its infrastructure capabilities to more than double their former capacity. He has been involved in the formation of several electrical management organizations including UAMPS, Southern Utah Valley Power Authority and the Tri-State Intervention Group. He helped negotiate the first power exchange agreement with Bonneville Power Administration in 1981 and has worked with several federal power agencies on electrical issues. Mr. Hendrickson has a Bachelor of Science Degree (Zoology) and a Master of Public Administration Degree from Brigham Young University. Prior to his city management career, Mr. Hendrickson worked for the Central Intelligence Agency, military intelligence, and the Environmental Protection Agency.

Power Supplies. In 2005, the City entered into a power purchase agreement (the "Power Purchase Agreement") with Utah Municipal Power Agency (the "Agency"), an interlocal agency made up of various Utah municipalities. However, the City is not a member of the Agency. The Agency manages all of the power resources of its member cities, the largest of those being Provo, Utah. The total electric resource of the Agency far exceeds the demand of its member cities, thereby allowing the Agency to market excess power. The City, through its membership with Utah Associated Municipal Power Systems ("UAMPS") has the ability to enter into energy purchase agreements with the Agency for the Agency's excess power. As previously stated, the City has availed itself of that opportunity by entering into the Power Purchase Agreement. The Power Purchase Agreement is currently under negotiation for renewal and extension through June 30, 2015, with renewal thereafter on a year to year basis. The City anticipates all of its current energy requirements will be satisfied pursuant to the Power Purchase Agreement and does not anticipate any difficulties finalizing the same.

The City also has the ability to purchase electric power and energy through its membership in UAMPS, a Utah interlocal cooperative and a separate legal entity and a political subdivision of the State. UAMPS currently consists of 45 members in eight states and was created pursuant to a July 19, 1998 agreement (the "UAMPS Agreement") which includes two separate appendices that provide for different ways to purchase power (respectively, "Appendix 1" and "Appendix 2"). Under Appendix 1 arrangements, UAMPS purchases power for the City on the spot market and provides that power to the City over PacifiCorp's system to the City's distribution system. Under the arrangements in Appendix 2, the City is able to purchase power at a fixed price and at a rate consistent with the cost of power to other power participants in the Intermountain Power Project. Power available under Appendix 2 is purchased in blocks for specific periods of time at a fixed rate which is generally lower than the spot market purchase rate. Appendix 2 is what allows the City to purchase power from the Agency since that power is delivered pursuant to operational arrangements between the Agency and UAMPS. Power purchased from the Agency or UAMPS is wheeled by UAMPS to the City's electric distribution system through facilities owned by PacifiCorp pursuant to regulations promulgated under the Federal Energy Regulatory Commission ("FERC") rules.

Power Pooling Agreement. UAMPS has entered into power pooling agreements (the "Pooling Agreements") with 40 of its 45 members, including the City (collectively, the "Pool Participants") pursuant to which

UAMPS acts as agent of each Pool Participant for: (1) the scheduling and dispatch of power and energy; (2) the purchase of any power and energy required to meet such Pool Participant's electric system loads or to provide reserves therefor; (3) the sale of any power and energy available to a Pool Participant which is deemed surplus to meet its electric system loads; (4) the utilization of transmission rights and provision of transmission service to effect power and energy deliveries to, and sales by, each Pool Participant; (5) the administration of payments with respect to each Pool Participant's purchase and sale of power and energy and transmission services; and (6) conducting power supply and transmission studies and developing of programs for the acquisition or construction of power and transmission resources.

Under the Pooling Agreements, each Pool Participant may purchase from the pool all of its power and energy requirements in excess of its purchased or owned resources. Power supplied by the pool is priced according to whether the purchase is "planned" or "unplanned" within the meaning of the Pooling Agreements. "Planned" purchases are those amounts of power and/or energy that a Pool Participant has scheduled through UAMPS at least one hour before such power and/or energy is required. Planned purchases are sold on a firm basis with the price based upon negotiation at the time the power and/or energy is scheduled. "Unplanned" purchases are those amounts of power and/or energy that the Pool Participant required, as determined by the Pool Participant's meter(s), which do not come from the Pool Participant's own resources, including planned purchases under the Pooling Agreements.

Each Pool Participant may participate in the "All-In Cost Pool" that provides for participants to sell surplus resources at the all-in cost or purchase their deficit resource needs at an all-in cost from other participants. After all of the participants have satisfied their resource needs, any unutilized resource surplus is purchased by the unplanned pool and any deficit resource need is purchased from the unplanned pool. In addition to the Power Pool, UAMPS operates a power exchange through which its members are able to enter into forward transactions with one another or with UAMPS for the purchase and sale of power and energy.

The resources presently dedicated to the UAMPS Power Pool consist of power and energy from the following resources: (1) the Pool Participants' allocations of Colorado River Storage Project power and energy; (2) electric generating facilities owned and operated by certain of the Pool Participants; (3) power and energy generated by UAMPS' at generating stations located in San Juan, New Mexico, Hunter, Utah, and Payson, Utah; (4) power and energy purchased by UAMPS under long-term firm power purchase contracts with various wholesale suppliers; and (5) non-firm contracts with, and market purchases from, power suppliers, marketers and others throughout the West.

Future Additional Sources. The City has decided to participate in the Horse Butte Wind Project of UAMPS. The Horse Butte Wind Project consists of UAMPS' right to purchase all of the output of a 57.6 MW wind powered electric generating facility located on over 17,000 acres of land in Bonneville County, Idaho, just outside of Idaho Falls, Idaho. The Horse Butt Wind Project is currently under construction and UAMPS is acting as the developer of the project. Commercial operation of the Horse Butte Wind Project is expected in December 2011.

The output of the Horse Butte Wind Project will be sold by UAMPS to members of UAMPS who have decided to participate in the project, including the City. The City has committed to acquire 5 MW of power from the Horse Butte Wind Project under a power sales contract pursuant to which the City has agreed to make payments to UAMPS in respect of all of the costs of the Horse Butte Wind Project on a "take-or-pay" basis and in amounts proportionate to the City's entitlement share in the Horse Butte Wind Project. The payment obligations of the City under the Horse Butte Wind Project power sales contracts constitute operating expenses of the City's Electric System, payable solely from the available revenues of the related system prior to payment of debt service on the Bonds. The City expects to pay approximately $1,060,000 per annum for its purchase of power from the Horse Butte Wind Project. The purchase of power from this source will decrease purchases from other sources.

Electric System Customers. The following table sets forth the number and type of customers (reflected in ERUs) served by the Electric System for the fiscal years set forth below:

Fiscal Year	Residential	Commercial	Total
2011[1]	5,513	54	5,567
2010	5,383	51	5,434
2009	5,161	60	5,221
2008	4,847	30	4,877
2007	4,438	48	4,486
2006	3,465	42	3,507

(1) Estimated; subject to change.
(Source: The City.)

Electric System Requirements and Cost. The City's cost to purchase electric power and energy is dependent upon its overall and peak demand requirements during each month and the cost per kWh charged by its electric power providers. Prior to July 1, 2005, the City purchased its electric power and energy under the UAMPS Agreement. The cost to purchase such power was fixed on a per kWh basis during the months of July through September each year and varied during the remaining months of the year. Under the Power Purchase Agreement, the City's cost to purchase power is fixed on a per kWh basis all year long. Energy is purchased on a calendar-month basis while energy is sold on a variable month-to-month basis. Thus, it is not possible to compare the monthly amount of energy purchased with the amount sold. The following table sets forth the total energy purchased by the City and its cost for such energy for each month indicated for the period ending June 30, 2010.

Month	Total Energy Purchased (kWh)	Peak Demand[1] kW	Total Cost per kWh	Total Energy Cost ($)	No. of Connections	Average Cost per Connection
Jun-10	6,334,266	18,778	$0.056	$353,779	5,434	$65.11
May-10	4,652,327	9,774	0.056	258,902	5,376	48.16
Apr-10	4,422,120	9,692	0.056	249,215	5,339	46.68
Mar-10	4,814,368	10,338	0.056	268,469	5,339	50.29
Feb-10	4,643,474	11,006	0.056	258,800	5,289	48.93
Jan-10	5,490,413	11,752	0.056	305,830	5,256	58.19
Dec-09	5,946,664	12,799	0.056	331,489	5,242	63.24
Nov-09	4,762,562	11,552	0.056	266,173	5,220	50.99
Oct-09	4,640,241	10,145	0.056	258,359	5,186	49.82
Sep-09	6,197,334	18,044	0.056	344,882	5,119	67.37
Aug-09	7,529,943	19,805	0.056	419,359	5,104	82.16
Jul-09	8,176,244	20,291	0.056	456,265	5,055	90.26

(1) Peak Demand equals the highest fifteen minute average demand for the indicated month and is included in the Total Energy Purchased.
(Source: The City.)

Electric System Sales. The total sales to the Electric System customers for the Fiscal Years ending June 30, 2009, 2010, and 2011 (unaudited) amounted to 52,030,849 kWh, 57,713,091 kWh, and 58,023,643 kWh, respectively. The revenues from such energy sales for the fiscal years ending June 30, 2009, 2010, and 2011 (unaudited) totaled $5,645,855, $5,978,503, and $6,257,045, respectively. The following tables set forth the customer sales by class for the fiscal years ending June 30, 2009, 2010, and 2011 (unaudited):

Fiscal Year Ending June 30, 2009

	kWh Sales[1]	Revenues[2]
Residential	47,020,376	$5,102,159
Commercial	5,010,473	543,696
Total:	52,030,849	$5,645,855

Fiscal Year Ending June 30, 2010

	kWh Sales[1]	Revenues[2]
Residential	49,327,593	$5,504,881
Commercial	5,385,498	473,621
Total:	54,713,091	$5,978,503

Fiscal Year Ending June 30, 2011[3]

	kWh Sales[1]	Revenues[2]
Residential	52,426,508	$5,751,425
Commercial	5,597,135	505,620
Total:	58,023,643	$6,257,045

(1) Consumption (kWh Sales) does not include final billings and other billings outside of the City's normal billing cycles.

(2) Revenues are net of any adjustments made to individual accounts (i.e., results of billing disputes) which will affect total revenues. No adjustment has been made to kWh consumption to reflect a corresponding adjustment to revenues. Therefore, a simple calculation to multiply consumption by the rate for energy to arrive at the sales figure will be erroneous.

(3) Figures for fiscal year 2011 are unaudited and subject to change.

(Source: The City.)

Largest Electric System Customers. The following table sets forth the ten largest customers of the Electric System for the Fiscal Year ending June 30, 2011. These customers comprised approximately 11.6% of total billings for the period.

Customer	Type of Customer	Annual Electrical Billings
The City	Governmental	$279,334.40
Alpine School District	Institutional	204,764.34
Church of Jesus Christ of Latter-Day Saints	Institutional	94,440.64
The Ranches Golf Club	Commercial	37,476.50
Rockwell Charter High School	Institutional	32,675.80
Holiday Oil	Commercial	29,986.64
Maverik Inc.	Commercial	29,126.04
Direct Communications	Commercial	21,170.07
Willow Springs HOA	Commercial	15,753.58
Ranches Academy Charter School	Institutional	13,659.36
TOTAL		$758,387.37

(Source: The City.)

The Gas System

Facilities. The Gas System includes a 6-inch high pressure gas line that serves as a distribution line from the Kern River Gas Tap located in the southern area of the City. The City has entered into a contract with the Kern River Pipeline Company to provide a constant gas supply to the City. The construction of a tap to the Kern River gas line, regulator stations, and 6-inch steel gas line from the tap to the northern portion of the City were financed with proceeds of prior bonds and the proceeds of an assessment bond issued in connection with the creation of a special improvement district. The Gas System currently serves approximately 5,524 ERUs. The City's current distribution system has the capacity to serve approximately 25,000 ERUs. The total capacity of the 6-inch high pressure gas line is approximately 50,000 ERUs.

Gas Supply. The City entered into a Natural Gas Sales Agreement on June 5, 1998 (the "Natural Gas Agreement") with Wasatch Energy Corporation, a gas marketer ("Wasatch"). Wasatch has since been acquired by British Petroleum ("BP") and the Natural Gas Sales Agreement was renegotiated in November 2010. The Natural Gas Agreement can be canceled by the City or BP upon 30 days written notice. Pursuant to the Natural Gas Sales Agreement, the City and BP will reach agreement on the quantities of natural gas to be purchased and sold during a particular period and the purchase price therefor. Historically, the City has purchased gas on a month to month basis at a rate in effect for that particular month.

Natural gas is delivered to the City by way of the Kern River Pipeline pursuant to an Operating Agreement dated May 12, 1998 (the "Gas Delivery Agreement") between the City and Kern River Gas Transmission Company ("Kern River"). The Gas Delivery Agreement remains in full force and effect until such time that either (1) Kern River is ordered by the Federal Energy Regulatory Commission to abandon such facilities or (2) Kern River, at its sole discretion, upon 180 days written notice, elects to terminate the Gas Delivery Agreement. Pursuant to the Gas Delivery Agreement the City has a flow range consisting of a minimum flow of 50 decatherms ("DTH") per day at 1,050 pounds per square inch gauge ("psig") and a maximum flow of 1,600 DTH per day at 650 psig. The maximum rate for such transportation is the posted full rate for firm transportation on the Kern River pipeline, plus fuel and fees. Such costs, including any discounts, are passed on to the City by BP.

The cost of natural gas fluctuates from year to year and seasonally during the year. The cost of natural gas increases during the winter months. The fluctuations are part of the instability of the gas market due to supply and demand forces. The impact of instability can be reduced through the execution of long-term gas supply contracts, although such long-term contracts do not allow the purchasers to gain any benefit in the event gas prices decrease. Pursuant to the Natural Gas Sales Agreement, the City can establish purchase periods of varying terms. The City monitors the gas markets and attempts to establish gas purchase periods pursuant to the Natural Gas Sales Agreement at prices that will be beneficial to the users of the Gas System.

Operations. The City staff operates and maintains the Gas System.

Gas System Customers. The following table sets forth the number and type of customers (reflected in ERUs) served by the Gas System for the Fiscal Years set forth:

Fiscal Year	Residential	Commercial	Total
2011[1]	5,412	54	5,466
2010	5,265	30	5,295
2009	5,061	49	5,110
2008	4,700	23	4,723
2007	4,278	30	4,308
2006	3,310	25	3,335

(1) Estimated; subject to change.
(Source: The City.)

Gas Demand Requirements and Cost. The City's cost to purchase natural gas is dependent upon its overall requirements during each month and the cost per DTH charged by its natural gas provider. Natural gas is purchased on a calendar-month basis but sold on a variable month-to-month basis, thus it is not possible to compare the monthly amount of natural gas purchased with the amount sold. The following table sets forth the total gas purchased by the City and its cost for such gas for each month indicated for the period ending June 30, 2010:

Month	Total Gas Purchased (DTH)	Total Cost Per DTH	Total Gas Cost ($)	No. of Connections	Average Cost per Connection
Jun-10	9,729	$3.99	$38,809	5,295	$7.33
May-10	23,529	4.09	96,302	5,248	18.35
Apr-10	31,557	4.00	126,185	5,208	24.23
Mar-10	47,307	5.22	247,134	5,208	47.45
Feb-10	54,334	5.37	291,854	5,159	56.57
Jan-10	72,236	5.67	409,565	5,130	79.84
Dec-09	84,244	5.05	425,021	5,114	83.11
Nov-09	45,443	5.28	239,786	5,084	47.17
Oct-09	28,989	3.82	110,843	5,032	22.03
Sep-09	9,344	2.83	26,424	4,955	5.33
Aug-09	8,698	3.33	28,962	4,950	5.85
Jul-09	8,297	3.12	25,901	4,918	5.27

(Source: The City.)

Natural Gas Sales. The total sales to Gas System customers for the Fiscal Years ending June 30, 2009, 2010, and 2011 (unaudited) amounted to 381,657 DTH, 441,629 DTH, and 491,507, respectively. The revenues from such gas sales for the Fiscal Years ending June 30, 2009, 2010, and 2011 (unaudited) totaled $4,389,328, $4,429,397, and $4,798,115, respectively. The following tables set forth the customer sales by class for the Fiscal Years ending June 30, 2009 and 2010 (customer sales by class are not currently available for Fiscal Year 2011):

Fiscal Year Ending June 30, 2009

	DTH Sales[1]	Revenues[2]
Residential	361,934	$4,159,196
Commercial	20,023	230,132
Total:	381,957	$4,389,329

Fiscal Year Ending June 30, 2010

	DTH Sales[1]	Revenues[2]
Residential	414,207	$4,199,525
Commercial	27,422	229,872
Total:	441,629	$4,429,397

(1) Consumption (DTH Sales) does not include final billings and other billings outside of the City's normal billing cycles.

(2) Revenues are net of any adjustments made.

Note: The City uses special multipliers for each type of gas meter used in order to determine the amount billed and charged. A simple calculation to multiply consumption by the gas rate to arrive at the sales figure will be erroneous without the special multiplier.

(Source: The City.)

Largest Natural Gas Customers. The following table sets forth the ten largest customers of the Gas System for the Fiscal Year ending June 30, 2011. These customers comprised approximately 3.68% of total billings for the period.

Customer Name	Customer Type	Sales $
Alpine School District	Institutional	$85,132.84
Church of Jesus Christ of Latter-Day Saints	Institutional	19,991.40
The City	Governmental	17,054.40
Rockwell Charter High School	Institutional	14,528.19
Saratoga Springs FM Group	Institutional	10,388.45
Ranches Academy	Institutional	6,439.32
Solitude Construction	Commercial	6,289.60
Rock Creek HOA	Commercial	5,675.01
Highland on the Green HOA	Commercial	5,569.38
Richmond American Homes	Commercial	5,164.11
TOTAL		$176,232.70

(Source: The City.)

Existing and Future Demand of the System

Existing Demand vs. Existing Capacity. The following table sets forth information with respect to existing demands against existing capacity:

Utility Description	Units	Existing Demand	Existing Capacity
Gas	Metric Cubic Feet (Mcf)	2,935 Mcf per day	7,800 Mcf per day
Electric	Kilowatt (kW)	21,000 kW	33,000 kW

(Source: The City.)

Existing Demand vs. Future Capacity. The following table sets forth information with respect to existing demand against future capacity:

Utility Description	Units	Existing Demand	Future Capacity
Gas	Metric Cubic Feet (Mcf)	2,935 Mcf per day	7,800 Mcf per day
Electric	Kilowatt (kW)	21,000 kw	66,000 kw

(Source: The City.)

Rates

As described above under "SECURITY FOR THE BONDS—Rate Covenant," the City has covenanted in the Indenture that it will establish and continue in effect at all times while Bonds are outstanding, rates and charges for System services which are reasonably expected to yield Net Revenues at least equal to 125% of the Aggregate Annual Debt Service on all outstanding Bonds.

Rates and charges for System services are established by the City Council and are not subject to review or approval by any federal or state regulatory agency.

The City adopted its current rate structure on July 1, 2010. The following table sets forth the current rates and charges imposed by the City for the services offered by the System.

Utility		Usage Rate	Connection Fee	Effective Impact Fee
Electric	Base Rate (Res./Com.):	$9.00/$25.00 mo.	$989.10/Connection	$2,215/Connection
	Usage Rate (Res./Com.):	$0.0995/$0.0687/kWh		
Gas	Base Rate:	$16.00/mo.	$1,167.96/Connection	$0*/Connection
	Usage Rate:	$8.00/DTH		

* The City is not authorized to charge impact fees for the Gas System according to the Utah Impact Fee Law.

The City employs a combined billing statement for all of its utilities, including the System. Customer accounts are due and payable by the end of the month in which the billing occurred. Customers who do not pay the full amount of the bill within the allotted time period are in default and are subject to disconnection and collection of the delinquent amounts.

Each utility invoice not paid when due is considered delinquent and the delinquent customer is provided a final account notice the month following the due date. Any unpaid balance from the prior month becomes delinquent at the time the next bill is generated, is assessed a $25 late fee, and is sent a notice alerting the user to the possibility of a disruption in services if not paid. Customers are invited to contact City staff during the final account notice period to arrange a deferred payment schedule which may be approved by the City. Services terminated for non-payment of delinquent accounts shall not be reinstated until payment of the delinquent account is received or an acceptable deferred payment contract is approved by the City and the initial payment required under the deferred payment schedule is received by the City together with the reconnect fee of $50 to reimburse the City for the professional services necessary to reinstate the utility service. A deferred payment schedule contract may be entered with a delinquent customer, provided that the deferred payment schedule does not extend for a period of more than one year, provides for a specific amount to be paid each month together with interest at the rate of 1 % per month. Customers who do not comply with the terms of an executed deferred payment schedule contract are subject to termination of service after the City provides the final account notice. Service terminated after default on a deferred payment contract form shall not be reinstated until the entire past due amount is paid in full. The City may, at its discretion, require an additional utility deposit be paid up to an amount equal to two times the average monthly billing for the utility service.

The City reports that less than 2% of its utility receivable accounts become uncollectable. The City's utility "shut-off" procedures ensure that most customers' accounts do not become excessively large before they are collected. Delinquent accounts are submitted to the City's collection agency at 90 days past due.

Comparable Rates

The following table sets forth the gas and electric rates for municipalities located near the City. The rates and charges tend to vary from the City's due to several factors, including age of the respective systems and existing prior contractual commitments for purchase of these resources at rates that are not currently available.

ELECTRICAL

City – Average electric bill based on 791 kwh usage per month	Comparable Fee (Residential)
Spanish Fork – $82.20	Flat fee of $3.50 + $0.08083 per kWh
Payson – $101.65	Minimum charge of $9.50, then $0.1165 per kWh
Provo – $64.40	Base Rate of $5.00 and $0.0751 for the first 800 kWh and $0.08 per kWh thereafter
Murray – $71.21	Base Rate of $3.25 and $0.0835 for first 600 kWh and $0.0935 per kWh thereafter
Nephi – $60.87	Base Rate of $5.50 and $0.07 per kWh
Lehi – $73.80	Base Rate of $4.50 and $0.087612 per kWh
Rocky Mountain Power – (May-Sep) $74.45; (Oct-Apr) $64.71	Base Rate of $3.75 and $0.075292 per kWh 0-400kWh (May-Sep), $0.092749 per kWh 401-600kWh (May-Sep), $0.115361 per kWh 600+ kWh (May-Sep), $0.078009 per kWh (Oct-Apr), + $3.00 base rate
Springville- $87.71	Base Rate of $11.00 and $0.0771 for first 400kHw and $0.0943 for 401kHw-1000kWh, and $0.116 for 1000+kHw.
Eagle Mountain City- $87.73	*$0.0995 per kWh plus a base charge of $9.00*

GAS

Spanish Fork	uses Questar's rate
Payson uses	uses Questar's rate
Provo uses	uses Questar's rate
Murray	uses Questar's rate
Nephi	Base Rate of $5.50 per DTH and usage varies month to month
Lehi	uses Questar's rate
Eagle Mountain City	*$8.00 per DTH plus a base charge of $16.00*
Questar	Flat Fee of $5.00 plus $7.37344 per DTH (0-45 DTH), $6.21572 per DTH (45+ DTH) – Summer and $8.32615 per DTH (0-45 DTH), $7.04763 per DTH (45+ DTH) – Winter

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(Source: The City.)

Impact Fees

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

In 1998, the City adopted an impact fee ordinance imposing impact fees as a condition of development approval for its utilities and for some public facilities, such as streets. The 1998 Impact Fee Ordinance was revised in 1999 and re-enacted in February 2000 to significantly reduce impact fees and to require direct developer contributions for public facilities in substitution for facilities financed by the City using impact fees. Impact fees on telephone and gas public facilities were also eliminated because under the Utah Impact Fee Act, the City is not authorized to charge impact fees for these utilities. The City reviews and revises its impact fee schedule from time to time to reflect the growth of development and the cost to pay for future infrastructure in the City and to assure that developers pay a fair share of the debt service for new electric facilities in the future. Impact fees can be dedicated specifically to debt service on bonds.

Licenses, Permits and Approvals

The City reports that it holds all licenses, permits and approvals necessary for the operation of the System. The City has applied to the Bureau of Land Management ("BLM") for a permit relating to the construction a new transmission line (part of the Series 2011 Project) that will be constructed on federal land. The City expects to receive BLM approval in time to begin construction in the fall of 2011.

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Five-Year Financial Summaries of the System

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

EAGLE MOUNTAIN CITY
Statement of Net Assets
Proprietary Funds—Gas Fund and Electric Fund
(This summary has not been audited.)

	Fiscal Year Ending June 30,				
	2010	2009	2008	2007	2006
ASSETS					
Current Assets:					
Cash and cash equivalents	$4,691,838	$3,199,151	$3,226,657	$5,555,287	$3,320,071
Accounts receivable (net)	1,999,770	1,895,936	1,324,945	908,034	774,532
Due from other funds	35,107	428,026	–	–	–
Total current assets	6,726,715	5,523,113	4,551,602	6,463,321	4,094,603
Noncurrent Assets:					
Restricted cash and cash equivalents	2,752,270	2,192,308	3,867,306	2,893,914	2,845,128
Land, equipment, buildings and improvements	31,682,378	30,299,381	28,490,864	26,294,542	25,869,393
Less: Accumulated depreciation	(10,133,418)	(8,821,465)	(7,707,831)	(7,010,807)	(5,886,999)
Deferred bond financing costs (net)	882,347	940,205	998,064	1,055,923	1,113,782
Total noncurrent assets	25,183,577	24,610,429	25,648,403	23,233,572	23,941,304
Total assets	$31,910,292	$30,133,542	$30,200,005	$29,696,893	$28,035,907
LIABILITIES					
Current Liabilities:					
Accounts payable and accrued liabilities	523,145	482,123	565,358	817,353	476,965
Bond interest payable	72,248	76,613	80,520	–	65,777
Current portion of long-term debt	645,000	658,000	515,000	460,000	–
Total current liabilities	1,240,393	1,216,736	1,160,878	1,277,353	542,742
Noncurrent liabilities:					
Deposits	275,864	249,841	282,258	252,129	167,479
Compensated absences	43,529	44,163	39,643	26,743	20,159
Bond premium (net)	–	–	–	438,281	462,188
Long-term debt (net of current portion)	19,641,562	20,232,468	20,914,375	21,015,000	21,475,000
Total noncurrent liabilities	19,960,955	20,526,472	21,236,276	21,732,153	22,124,826
Total liabilities	21,201,348	21,743,208	22,397,154	23,009,506	22,667,568
NET ASSETS					
Invested in cap assets, net of related debt	1,262,398	1,449,245	215,455	(730,681)	(670,722)
Restricted – impact fees	834,652	275,370	945,022	1,847,471	1,108,449
Unrestricted	8,611,894	6,665,719	6,642,374	5,570,597	4,930,612
Total net assets	$10,708,944	$8,390,334	$7,802,851	$6,687,387	$5,368,339

(Source: Extracted from the City's audited basic financial statements for the fiscal years 2006 through 2010. This summary itself is not audited.)

EAGLE MOUNTAIN CITY
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds—Gas Fund and Electric Fund
(This summary has not been audited.)

	Fiscal Year Ending June 30,				
	2010	2009	2008	2007	2006
Operating Revenues:					
Charges for services	–	–	–	–	–
Charges for services pledged as security on revenue bonds	$11,285,031	$10,035,183	$11,208,729	$9,971,417	$7,889,522
Other operating income	7,850	30,194	9,201	1,675	–
Total operating revenues	11,292,881	10,065,377	11,217,930	9,973,092	7,889,522
Operating Expenses:					
Salaries and wages	863,651	901,631	756,666	526,173	442,075
Purchased services	7,438,431	7,744,225	7,755,170	6,977,092	5,539,108
Supplies and materials	279,042	295,520	327,318	389,798	95,070
Depreciation and amortization	1,369,811	1,171,493	1,138,004	1,181,668	1,162,687
Miscellaneous	7,990	11,034	4,470	60,503	60,128
Total operating expenses	9,958,925	10,123,903	9,981,628	9,135,234	7,299,068
Operating income	1,333,956	(58,526)	1,236,302	837,858	590,454
Nonoperating revenues (expenses):					
Interest revenue	34,420	52,457	146,448	162,156	187,492
Impact fees	559,281	452,763	528,352	755,072	507,946
Assessments	–	496,591	–	–	–
Developer reimbursements	–	(22,971)	(59,382)	–	–
Loss on sale of assets	–	–	(606,879)	–	–
Interest expense and fiscal charges	(929,754)	(948,236)	(1,052,014)	(910,834)	(2,015,330)
Total nonoperating revenues (expenses)	(336,053)	30,604	(1,043,475)	6,394	(1,319,892)
Net income (Loss) before contributions and transfers	997,903	(27,922)	192,827	844,252	(729,438)
Capital contributions	1,056,973	159,405	682,637	304,796	108,080
Operating transfers in	293,735	456,000	240,000	170,000	120,000
Operating transfers out	(30,000)	–	–	–	–
Total contributions and transfers	1,320,708	615,405	922,637	474,796	228,080
Change in net assets	2,318,611	587,483	1,115,464	1,319,048	(501,358)
Total net assets - beginning	8,390,333	7,802,851	6,687,387	5,368,339	5,869,697
Total net assets - ending	$10,708,944	$8,390,334	$7,802,851	$6,687,387	$5,368,339

(Source: Extracted from the City's audited basic financial statements for the fiscal years 2006 through 2010. This summary itself is not audited.)

Historical and Pro Forma Debt Service Coverage

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

	Historical					*Projected*[1]					
	2006	2007	2008	2009	2010	2011[2]	2012	2013	2014	2015	2016
Revenues											
Gas revenues	$3,697,521	$4,604,357	$4,859,863	$4,389,328	$4,766,153	$4,909,138	$5,056,412	$5,208,104	$5,364,347	$5,525,278	$5,691,036
Electric revenues	4,192,001	5,367,060	6,348,866	5,645,855	6,518,878	6,714,444	6,915,878	7,123,354	7,337,055	7,557,166	7,783,881
Other operating income	–	1,675	9,201	30,194	7,850	8,086	8,328	8,578	8,835	9,100	9,373
Total Revenues	7,889,522	9,973,092	11,217,930	10,065,377	11,292,881	11,631,667	11,980,617	12,340,036	12,710,237	13,091,544	13,484,290
Expenditures											
Gas Operating Expenses	2,659,719	3,444,536	3,833,676	3,606,230	3,051,428	3,158,228	3,268,766	3,383,173	3,501,584	3,624,139	3,750,984
Electric Operating Expenses	3,479,662	4,509,030	5,009,948	5,346,180	5,537,686	5,731,505	5,932,108	6,139,731	6,354,622	6,577,034	6,807,230
Total Operating Expenses	6,139,381	7,953,566	8,843,624	8,952,410	8,589,114	8,889,733	9,200,874	9,522,904	9,856,206	10,201,173	10,558,214
Net Operating Income	1,750,141	2,019,526	2,374,306	1,112,967	2,703,767	2,741,934	2,779,744	2,817,132	2,854,031	2,890,371	2,926,076
Non Operating Revenues											
Interest revenue	187,492	162,156	146,448	52,457	34,420	34,420	34,420	34,420	34,420	34,420	34,420
Impact Fees	507,946	755,072	528,352	452,763	559,281	559,281	559,281	559,281	559,281	559,281	559,281
Total Non-Operating Revenue	695,438	917,228	674,800	505,220	593,701	593,701	593,701	593,701	593,701	593,701	593,701
Transfers (net)[3]	120,000	170,000	240,000	456,000	263,735	165,000	165,000	165,000	165,000	165,000	165,000
Net Income	2,565,579	3,106,754	3,289,106	2,074,187	3,561,203	3,500,635	3,538,445	3,575,833	3,612,732	3,649,072	3,684,777
Net Income w/out Impact Fees	2,057,633	2,351,682	2,760,754	1,621,424	3,001,922	2,941,354	2,979,164	3,016,552	3,053,451	3,089,791	3,125,496
Debt Service											
2005 Bonds	652,215	966,244	1,426,244	1,465,144	1,512,119	1,556,819	1,603,599	1,652,680	1,703,055	1,753,255	1,805,055
2011 Bonds	–	–	–	–	–	–	1,057,365	1,012,556	958,944	912,644	855,719
Total Debt Service	652,215	966,244	1,426,244	1,465,144	1,512,119	1,556,819	2,660,964	2,665,236	2,661,999	2,665,899	2,660,774
Debt Service Coverage with Impact Fees[4]	3.93x	3.22x	2.31x	1.42x	2.36x	2.25x	1.33x	1.34x	1.36x	1.37x	1.38x

(1) Assumes an average growth rate in revenues of 3% per annum and an average growth rate in expenses of 3.5% per annum.

(2) Estimated, based on fiscal year 2010.

(3) Includes transfers in for electric usage from water and sewer funds for sewer treatment facility and a one-time transfer out in fiscal year 2010 to help fund work on the City rodeo arena

(4) Net income with impact fees divided by total debt service.

(Source: The City for revenue and expense figures; Financial Advisor for all other numbers.)

Management's Discussion and Analysis of Revenues

The City's audited financial statements for the Fiscal Year ending June 30, 2010 and the auditors' report thereon in APPENDIX A of this Official Statement contain a Management Discussion and Analysis in connection with the annual financial report of the City.

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

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

General Fund. Revenues in the General Fund increased approximately 63% from FY 2005 to FY 2006, increased approximately 28.5% from FY 2006 to FY 2007, decreased approximately 26% from FY 2007 to FY 2008, and decreased approximately 2% from FY 2008 to FY 2009. The decrease in revenue from FY 2007 to FY 2008 was due mainly to decreases in licenses and permits as well as the fact that impact fees are now recorded as Non-major Governmental Revenue. In FY 2009, charges for services and Intergovernmental revenue increased while taxes, licenses and permits decreased. General Fund revenues increased approximately 7.5% from FY 2009 to FY 2010. That increase was due to revenue stream increases across the board. The City anticipates General Fund revenue growth to remain constant for the next one or two years. This reflects the stabilization of the national economy and the effect that should have on development and building activity in the city which mirrors the national trend.

The City has experienced an increase in sales tax revenue as well as road fund revenue received from the State. Property tax revenue is expected to decrease as a percentage of total General Fund revenue as new residential, and to a lesser extent, commercial property suffers affects from the current economic conditions.

Special Revenue Funds. The City received $4,166,034 in special assessments and other related miscellaneous revenue in FY 2005, and $7,606,561 in FY 2006, $7,198,224 in FY 2007, $585,043 in FY 2008, $419,457 in FY 2009, and $657,738 in FY 2010. This is restricted revenue that is pledged for repayment of special assessment bonds.

At the end of Fiscal Year 2010, the City had two special assessment bond issues outstanding: $4,224,000 Town of Eagle Mountain Special Assessment Bonds Series 2006 (SID 2000-1) and the $1,396,000 Eagle Mountain City Special Assessment Refunding Bonds, Series 2005A (SID 98-1). The Special Assessment Bond 1998-3 was paid off during FY 2008. The City may create additional special assessment districts and issue special assessment bonds in the future to finance certain infrastructure improvements.

Enterprise Funds. Operating revenues for the combined Enterprise Funds, which consist of the Water, Sewer, Electric, Natural Gas, and Solid Waste Collection, are generated from utility usage charges, connection fees, investment earnings, and other miscellaneous sources. Combined Enterprise Fund operating revenue increased approximately 27% from FY 2005 to FY 2006, 18% from FY 2006 to FY 2007, 13% from FY 2007 to FY 2008, decreased 8.3% from FY 2008 to FY 2009, and increased 13% from FY 2009 to FY 2010. This increase in revenue was basically due to the stabilization of the current market conditions have had on residential and commercial occupation of property within the city. The City estimates that new utility connections will grow at an average rate of approximately 10 connections per month, resulting in combined Enterprise Fund operating revenue growth at a comparatively modest rate of about 5% in FY 2011.

Electric and Natural Gas Funds Operating Revenue and Expenses. Electric Fund operating revenue increased, 39% from FY 2005 to FY 2006, and 28% from FY 2006 to FY 2007, 13% from FY 2007 to FY 2008, decreased 10% from FY 2008 to FY 2009 and increased 15% from FY 2009 to FY 2010. Natural Gas Fund operating revenue increased 39% from FY 2004 to FY 2005, 60% from FY 2005 to FY 2006, 25% from FY 2006 to FY 2007, 12.5% from FY 2007 to FY 2008, decreased 10% from FY 2008 to FY 2009, and 9% from FY 2009 to FY 2010. The revenue increases from FY 2004 to FY 2009 correspond to an increase from approximately 2,511 electric connections and 2,324 natural gas connections in service at the end of FY 2004 to 5,221 electric and 5,110 gas connections in service at the end of FY 2009. The increase from FY 2009 to FY 2010 represents increases in connections as well as higher occupation rates due to the stabilization of the national economy. Electric and Natural Gas combined revenues are projected to increase about 5% in FY 2010. Revenue growth projections are subject to weather conditions and the economy.

EAGLE MOUNTAIN CITY

Introduction

Eagle Mountain City was incorporated December 3, 1996. The City covers approximately 52.7 square miles. Prior to incorporation, the City consisted of two residential subdivisions with agriculture being the predominant land use. As of the date of its incorporation, the City had an initial population of 175 people. As of June 30, 2010, the City's population was approximately 24,000 people. The City estimates that it is currently 15% built out and estimates reaching full build-out in the next 50 years with a population of 225,000. The City is located in Utah County, 30 miles northwest of Provo City and approximately 40 miles southwest of Salt Lake City, Utah and Salt Lake Counties are the two most populated counties in the State.

Existing and Contemplated Development

At incorporation, the City had no commercial center. The City now has one business park with real estate offices and medical offices. The City has issued 69 building permits year-to-date (as of June 30, 2011). During the calendar year 2010, the City issued a total of 209 building permits.

Utilities

In addition to the System, the City currently owns and operates the water, sewer and telecommunications utilities (each a "Utility" and collectively, the "Utilities") serving the City. The City has completed expansion of water, electrical power and natural gas systems to meet the required utility capacity. All Utility facilities are maintained and operated by City employees or by independent contractors under management contracts with the City.

Form of Government

Utah statutes detail the functions to be performed by Utah municipalities. The City is organized under general law and governed by a Mayor and five Council members elected for staggered four-year terms. The Mayor presides over all meetings.

Department heads are full-time employees of the City and responsible for day-to-day operations within the policy framework of the governing body. Department heads report to the City Administrator.

The principal powers and duties of 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 may also operate electric, natural gas and telecommunications systems. Municipalities also regulate commercial and residential development within their boundaries by means of zoning ordinances, building codes and licensing procedures.

Current members of the legislative body and city administration along with their respective terms in office are as follows:

Office/Area	Person	Expiration of Term
Mayor	Heather Jackson	January 2014
Councilmember	Donna Burnham	January 2012
Councilmember	Jon Celaya	January 2012
Councilmember	Ryan Ireland	January 2012
Councilmember	Nathan Ochsenhirt	January 2014
Councilmember	John Painter	January 2014
City Administrator	John Hendrickson	Appointed
Assistant City Administrator	Ifo Pili	Appointed
City Recorder	Fionnuala Kofoed	Appointed
City Treasurer	Gordon Burt	Appointed
Energy Division Director	Adam Ferre	Appointed

FINANCIAL INFORMATION

Fund Structure; Accounting Basis

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.

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. See "APPENDIX A—BASIC FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED JUNE 30, 2010—Notes to the Financial Statements—Note 1—Summary of Significant Accounting Policies" below.

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 in 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.

Employee Work Force and Retirement System

The City currently employs approximately 75 full-time employees and approximately 31 part-time employees for a total employment of approximately 106 employees. The City is a member of the Utah State Retirement System and participates in a deferred compensation plan. The City does not currently have any unfunded pension liability. See "APPENDIX A— BASIC FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED JUNE 30, 2010—Notes to the Financial Statements—Note 13—Retirement Plan" below. For more information regarding the Utah State Retirement Systems (of which the City is a member) and the funding status of its programs, see its annual report at its website www.urs.org.

Other Post-Employment Benefits

The City reports that is has no liabilities relating to post-employment benefits.

Risk Management

The City provides for its general liability risks through insurance contracts which are issued annually to private insurance underwriters. Property insurance is provided by individual policies of insurance. 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— BASIC FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED JUNE 30, 2010—Notes to the Financial Statements Note 12—Risk Management" below.

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. A majority of City funds are invested in the Utah Public Treasurers' Investment Fund (the "Utah Treasurer's Fund"), as discussed below.

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 Treasurer's Fund is reviewed monthly by the State's Money Management Council and audited by the State Auditor.

See "APPENDIX A—BASIC FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED JUNE 30, 2010—Notes to the Financial Statements—Note 2—Cash Equivalents and Investments."

Financial Record and Statements

The City presently maintains its financial records on a July 1 to June 30 fiscal year basis. See APPENDIX A of this Official Statement for a copy of the City's audited financial statements for the fiscal year ending June 30, 2010.

Five-Year Financial Summaries of the City

The following tables set forth a summary of certain financial information regarding the City and was extracted from the City's audited general purpose financial statements for the fiscal years ending June 30, 2006, through June 30, 2010. The summaries themselves are unaudited.

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

	Fiscal Year Ending June 30,				
	2010	2009	2008	2007	2006
ASSETS:					
Cash and cash equivalents	$3,410,010	$2,028,259	$4,788,515	$9,939,649	$5,997,933
Restricted cash and cash equivalents	3,965,812	4,345,139	5,814,147	6,512,228	6,449,875
Accounts receivable:					
Customers (net of allowance)	239,271	345,927	317,192	92,346	70,461
Intergovernmental	149,699	140,994	156,125	89,312	79,236
Assessments receivable	5,598,377	5,847,898	6,032,295	7,384,229	14,324,383
Taxes receivable	1,509,541	1,433,529	1,345,230	1,008,141	838,638
Prepaid expenses	97,622	2,747	–	–	2,854
Internal balances	(255,865)	(634,020)	(416,427)	(354,810)	(188,389)
Deferred bond cost (net)	492,012	562,310	632,608	747,117	865,084
Capital assts (net of depreciation):					
Land	5,658,533	5,658,533	5,658,533	5,384,797	5,384,797
Buildings	1,752,075	654,928	673,620	692,312	711,004
Improvements	117,103	4,216	4,469	4,722	5,954
Equipment and systems	1,012,437	1,128,778	1,150,348	824,990	540,116
Infrastructure	42,129,996	38,321,670	37,331,896	34,689,402	32,669,160
Construction in progress	266,285	1,612,612	140,188	–	–
Total Assets	66,142,908	61,453,520	63,628,739	67,014,435	67,751,106
LIABILITIES:					
Accounts payable and accrued liabilities	707,551	989,826	642,130	1,396,965	568,923
Deposits	720,736	732,830	1,106,542	653,488	494,445
Deferred revenue	887,043	915,972	879,503	708,636	588,828
Bond interest payable	172,560	175,883	149,824	267,141	292,406
Long-term liabilities:					
Due within one year	845,651	342,000	716,000	881,888	1,722,515
Due in more than one year	5,805,617	6,455,295	6,439,420	9,695,889	14,320,910
Total Liabilities	9,139,158	9,611,806	9,933,419	13,604,007	17,988,027
NET ASSETS:					
Invested in capital assets, net of related debt	44,418,052	40,748,737	38,569,662	31,856,452	23,315,628
Restricted for C roads	330,030	226,675	366,767	672,135	712,766
Restricted for impact fees	735,210	1,273,921	2,620,428	6,521,479	3,961,472
Unrestricted	11,520,458	9,592,381	12,138,463	14,360,362	21,773,213
Total Net Assets	$57,003,750	$51,841,714	$53,695,320	$53,410,428	$49,763,079

(Source: Extracted from the City's audited basic financial statements for the fiscal years 2006 through 2010. This summary itself is not audited.)

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

	Fiscal Year Ending June 30,				
	2010	2009	2008	2007	2006
REVENUES					
Taxes	$3,625,087	$3,364,610	$3,427,645	$2,526,531	$1,975,019
Licenses & permits	948,384	786,417	942,640	3,136,160	2,555,678
Intergovernmental	1,025,706	810,313	712,562	485,576	499,806
Charges for services	2,533,440	2,450,291	2,093,475	2,017,438	1,426,009
Impact fees	–	–	–	1,249,996	1,220,121
Miscellaneous	283,045	421,871	805,345	1,371,086	712,980
Total Revenues	8,415,662	7,833,502	7,981,667	10,786,787	8,389,613
EXPENDITURES					
Current:					
General government	3,013,708	3,184,802	3,246,747	2,840,207	2,511,697
Public safety	3,146,335	3,162,711	2,811,955	2,027,829	1,326,771
Public works	818,528	1,218,766	1,295,866	761,717	890,946
Planning and zoning	273,129	304,463	346,933	221,004	198,802
Community development	1,538,065	894,762	895,471	855,794	602,492
Capital outlay	233,085	–	–	1,252,406	–
Total expenditures	9,022,850	8,765,504	8,596,972	7,958,957	5,530,708
Excess revenues over (under) expenditures	(607,188)	(932,002)	(615,305)	2,827,830	2,858,905
Other Financing Sources (Uses):					
Operating transfers in	2,506,726	–	–	–	–
Operating transfers out	(1,338,888)	(151,004)	(3,350,258)	(2,550,698)	(375,335)
Total Other Financing Sources/(Uses)	1,167,838	(151,004)	(3,350,258)	(2,550,698)	(375,335)
Net Change in Fund Balance	560,650	(1,083,006)	(3,965,563)	277,132	2,483,570
Fund Balance - beginning of year	799,400	1,882,406	5,847,969	5,570,837	3,087,267
Fund Balance - end of year	$1,360,050	$799,400	$1,882,406	$5,847,969	$5,570,837

(Source: Extracted from the City's audited basic financial statements for the fiscal years 2006 through 2010. This summary itself is not audited.)

Outstanding Municipal Indebtedness of the City

The following tables set forth the outstanding obligations of the City as of June 30, 2011:

GAS AND ELECTRIC REVENUE BONDS

Series	Purpose	Original Amount	Final Maturity Date	Principal Balance Outstanding
2005	Refunding[1]	$21,475,000	June 1, 2026	$19,725,000
2011	System Improvements[2]	$11,085,000	June 1, 2031	11,085,000
Total Outstanding Gas and Electric Revenue Bonds				$30,810,000

(1) These obligations are the Outstanding Parity Bonds.
(2) For purposes of this Official Statement it is assumed that the Series 2011 Bonds are issued and outstanding.

WATER AND SEWER REVENUE BONDS

Series	Purpose	Original Amount	Final Maturity Date	Principal Balance Outstanding (as of June 30, 2011)
2007	Refunding	$16,500,000	July 1, 2031	$15,205,000
2008	Treatment Plant	6,665,000	November 15, 2029	6,587,000
Total Outstanding Water and Sewer Revenue Bonds				$22,792,000

EXCISE TAX ROAD BONDS

Series	Purpose	Original Amount	Final Maturity Date	Principal Balance Outstanding (as of June 30, 2011)
2004	Class C Roads	$1,226,000	September 1, 2014	$547,000

SPECIAL ASSESSMENT BONDS

Series	Purpose	Original Amount	Final Maturity Date	Principal Balance Outstanding (as of June 30, 2011)
2004A	SID 1998-1	$6,295,000	May 1, 2013	$1,081,000
2006	SID 2000-1	8,840,000	February 1, 2021	3,529,000
Total Outstanding Special Assessment Bonds				$4,610,000

No Defaulted Bonds

The City has never failed to pay principal and interest when due on any of its bonds, notes or other financial obligations.

Future Debt Plans

The City does not presently contemplate the issuance of additional Bonds in the next three years. However, the City reserves the right to issue additional bonds as its needs may require.

BONDHOLDERS' RISKS

The purchase of the Series 2011 Bonds involves certain investment risks that are discussed throughout this Official Statement. No prospective purchaser of the Series 2011 Bonds should make a decision to purchase any of the Series 2011 Bonds without first reading and considering the entire Official Statement, including all Appendices, and making an independent evaluation of all such information. Certain of those investment risks are described below. The list of risks described below is not intended to be definitive or exhaustive and the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

General

The Series 2011 Bonds are payable from and secured by a pledge and assignment of Net Revenues from the System and moneys on deposit in the funds and accounts held by the Trustee under the Indenture. Future economic and other conditions, the demand for gas and electric services within the City and the surrounding areas, economic and employment trends and events, demographic changes, changes in governmental regulations and policies and other factors may adversely affect the future financial condition of the System, and, consequently, the availability of Net Revenues. **No assurance can be made that the Net Revenues of the System will be realized by the City in amounts sufficient to pay debt service on the Series 2011 Bonds when due.**

Operation of the System

In order for the City to make timely payment of the principal and interest requirements of the Series 2011 Bonds and to meet its other obligations under the Indenture, it will be necessary for the City to manage, operate and maintain the System in an efficient and economical manner that is consistent with prudent utility practice. The City is exempt from regulation by the Utah Public Service Commission but the operation of the System is subject to the requirements of various governmental rules and regulations and the System must be operated in compliance with these requirements. In the event that the System is not operated or is not capable of operation as required by the provisions of such governmental rules and regulations, the City may be subject to certain penalties.

In addition, the System is a relatively new enterprise and has a limited history of operation. The City believes that the System will be operated in a manner that will allow it to pay Operation and Maintenance Expenses for the System, as well as debt service on the Series 2011 Bonds. However, due to the lack of operational history, certain factors affecting the System such as dependability, efficiency, useful life of components and costs of operation are unknown.

To the extent the System develops operational problems, Operation and Maintenance Expenses may need to be reduced or rates for the System may need to be increased to produce sufficient Revenues unless other sources of funds are obtained. In the event that Revenues need to be increased for the continued operation of the System (and to pay debt service on the Series 2011 Bonds), it may be necessary to increase rates for the System. The City has covenanted in the Indenture that it will ensure that the rates, including connection fees, for all services supplied by the System to all customers within or without the boundaries of the City when combined with other Revenues, 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 125% of the Aggregate Annual Debt Service Requirement for such Bond Fund 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 pursuant to State law such rates must be reasonable rates for the type, kind and character of the service rendered. Furthermore, the City may decide not make any rate increases due to political, feasibility or other concerns.

Electric and Gas Prices

The sources of electric power and natural gas are limited and their availability can be further restricted by a variety of factors, including production activities, political decisions and environmental factors. As scarce resources, their prices are affected by supply and demand. The supply and demand nature of the electric and gas markets can and do cause those markets to fluctuate from time to time, sometimes quite significantly. The City cannot predict whether such prices will increase in the future. An increase in the cost of natural gas or power could negatively impact upon Net Revenues of the City and may affect the City's ability to pay debt service on the Series 2011 Bonds.

Destruction of the System

The Indenture requires that the City, in its operation of the System, maintain insurance in such amounts and to such extent as is normally carried by other municipalities operating public utilities of the same size and type. In the event of any loss or damage, the Indenture requires that the proceeds of any insurance shall be used first for the purpose of restoring or replacing the property lost or damaged. Any remainder is to be paid into the Bond Fund. However, there can be no assurance that the proceeds of such insurance will be sufficient to restore or replace the lost or damaged property.

Damage to or destruction of the System may prevent the City from providing gas and electric service to some or all of its customers. In such event, the Net Revenues may decrease.

Changes in the Electrical Utility Industry

General. The electric utility industry has been, and in the future will be, affected by a number of factors that will have an impact on the business, affairs and financial condition of both public and private electric utilities, including the City's Electric System.

One of the most significant of these factors is the effort on both the national and local levels to restructure the electric utility industry from a heavily regulated, vertically integrated monopoly to an industry in which there is a separation of control between generation and transmission and open competition for power supply service on both the wholesale and retail level.

In addition, such factors include, among others (i) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements, (ii) changes resulting from conservation and demand-side management programs on the timing and use of electric energy, (iii) changes that might result from a regional or national energy pool, (iv) increasing competition from independent power producers, marketers and brokers, (v) "self generation" by certain industrial and commercial customers, (vi) issues relating to the ability to issue tax-exempt obligations, (vii) changes from projected future load requirements, (viii) increases in costs, and (ix) shifts in the availability and relative costs of different fuels. Any of these factors (as well as other factors) could have an effect on the financial condition of any given electric utility and likely will affect individual utilities in different ways.

Energy Policy Act of 2005. On August 8, 2005, the Energy Policy Act of 2005 (the "2005 Energy Policy Act") was signed into law. The Energy Policy Act of 2005 provides incentives for traditional energy production as well as newer, more efficient energy technologies, and conservation. The 2005 Energy Policy Act provides for, among other things: (i) the repeal of the Public Utility Holding Company Act ("PUHCA"), although some responsibilities under PUHCA are transferred to FERC and state regulatory commissions; (ii) a grant to FERC of authority to site transmission facilities if states are unwilling or unable to approve siting; (iii) a directive to FERC to permit incentive rate policies as a means to encourage transmission expansion; (iv) revisions to the Public Utility Regulatory Policies Act; (v) the establishment of service obligation protections for native load customers of utilities in certain areas of the country; (vi) the creation of limited FERC jurisdiction over interstate transmission assets of municipal utilities, cooperatives and federal utilities, to permit FERC to order those entities to provide transmission services on rates and terms comparable to those that the entities charge and provide to themselves; (vii) the establishment of mandatory electric reliability rules for all market participants and the creation of a self regulatory reliability organization, subject to oversight by FERC; and (viii) the provision of certain tax incentives to encourage expansion of transmission facilities and improvement of environmental standards. As directed by the 2005 Energy Policy Act, FERC has adopted many of the applicable implementing regulations.

FERC continues to issue regulations and decisions interpreting and implementing the various provisions of the 2005 Energy Policy Act. The City is not able to predict at this time the effects, if any, that the 2005 Energy Policy Act or the adoption of such regulations will have on the City or the System.

Utah Legislative Activities. In March 2008 the Utah Legislature adopted Senate Bill 202–Energy Resource and Carbon Emission Reduction Initiative ("S.B. 202"), which provides that 20% of a municipal electric utility's or electrical corporation's adjusted retail electric sales beginning in 2025 come from renewable energy resources or renewable energy certificates, if cost effective. S.B. 202 does not provide for any incremental targets or goals before 2025, but does require reports concerning a municipal electric utility's progress in acquiring qualifying resources. S.B. 202 does not require an electric utility to (i) substitute renewable energy resources for existing energy sources, including existing power purchase contracts and generation units or (ii) enter into any additional power sales contracts or any other arrangement for the sale or disposition of electricity that such electric utility would not otherwise enter into. The financial and operational impact, if any, on the City and the System resulting from, the adoption of S.B. 202 is not known at this time.

In recent legislative sessions, the Utah Legislature has considered and adopted several other bills and resolutions relating to various energy policy matters, including economic development incentives for alternative energy projects, encouragement of municipally-owned utilities to consider participating in renewable energy projects and encouragement of the State of Utah to withdraw from the Western Climate Initiative. During the 2011 general session, the Utah Legislature passed House Joint Resolution 19, which expressed the Legislature's opposition to the EPA's regulation of greenhouse gases without Congressional approval.

The financial and operational impact, if any, on the City and the System resulting from the bills and resolutions adopted by the Utah Legislature is not known at this time.

Need For City To Expand Utilities

In order to meet current projections in population growth, it will be necessary for the City to expand not only the System, but its water and sewer utilities as well. The City anticipates that the costs of any such expansions could be paid from a variety or combination of sources including debt instruments, developer contributions, growth moneys, impact fees or revenues produced from the respective utilities. In the event the City could not obtain moneys from the aforementioned sources or other sources to pay for expansions to the City's utilities, it is unlikely that such expansions would be undertaken and development and growth within the City would be adversely affected.

NO DEFAULTED OBLIGATIONS

General

The City has never failed to pay principal of or interest on its financial obligations when due.

INDEPENDENT AUDITORS

The financial statements of the City as of June 30, 2010 and for the year then ended, included in this Official Statement, have been audited by Gilbert & Stewart ("Gilbert & Stewart"), Provo, Utah, Certified Public Accountants, as stated in their report in APPENDIX A of this Official Statement. Gilbert & Stewart has not been asked to consent to the use of its name and audited financial report of the City for fiscal year ended June 30, 2010, in this Official Statement.

CONTINUING DISCLOSURE

The City has undertaken for the benefit of the Owners and the Beneficial Owners of the Series 2011 Bonds to provide certain annual financial information and operating data to the Municipal Security Rulemaking Board (the "MSRB") and the City has undertaken for the benefit of the Owners and Beneficial Owners of the Series 2011 Bonds to provide notice of certain material events to the MSRB all in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "Rule"). See APPENDIX E attached hereto and incorporated herein by reference for a form of the Continuing Disclosure that will be executed and delivered by the City.

A failure by the City to comply with the Continuing Disclosure will not constitute an event of default under the Indenture and owners of the Series 2011 Bonds are limited to the remedies described in the Continuing Disclosure. See "Appendix E—FORM OF CONTINUING DISCLOSURE UNDERTAKING." A failure by the City to comply with the Continuing Disclosure 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 2011 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2011 Bonds and their market price.

The City reports that for the last five years it has been in compliance with all disclosure undertakings.

LEGAL MATTERS

Absence of Litigation

Parsons, Kinghorn, Harris will issue an opinion dated the date of closing, that will state, among other things that there is no action, suit, proceeding, inquiry, or any other litigation or investigation at law or in equity, before or by any court, public board or body, which is pending or threatened, (a) challenging the creation, organization, or existence of the City; (b) the titles of its officers to their respective offices; (c) seeking to restrain or enjoin the issuance, sale, or delivery of the Series 2011 Bonds; (d) directly or indirectly contesting or affecting the proceedings or the authority by which the Series 2011 Bonds are issued; (e) the validity of the Series 2011 Bonds or the issuance thereof or (f) which if determined adversely to the City would have a materially adverse effect on the financial condition of the City or its ability to meet the debt service requirements on the Series 2011 Bonds.

General

All legal matters incident to the authorization and issuance of the Series 2011 Bonds are subject to the approval of Ballard Spahr LLP, Bond Counsel to the City. Certain matters relating to disclosure will be passed upon by Ballard Spahr LLP, Disclosure Counsel to the City. Certain legal matters will be passed upon for the City by Parsons, Kinghorn, Harris, Salt Lake City, Utah. The approving opinion of Bond Counsel will be delivered with the Series 2011 Bonds. A form of the opinion of Bond Counsel is set forth in APPENDIX D of this Official Statement.

TAX MATTERS

Federal Income Tax. In the opinion of Ballard Spahr LLP, Bond Counsel to the City, interest on the Series 2011 Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Series 2011 Bonds, assuming the accuracy of the certifications of the City and continuing compliance by the City with the requirements of the Internal Revenue Code of 1986. Interest on the Series 2011 Bonds is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax ("AMT"); however, interest on Series 2011 Bonds held by a corporation (other than an S corporation, regulated investment company, or real estate investment trust) may be indirectly subject to federal AMT because of its inclusion in the adjusted current earnings of a corporate holder.

Original Issue Premium. Certain of the Series 2011 Bonds are offered at a premium ("original issue premium") over principal amount. Original issue premium is amortizable periodically over the term of a Series 2011 Bond through reductions in the holder's tax basis for the Series 2011 Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the Series 2011 Bond rather than creating a deductible expense or loss. Bondholders should consult their tax advisors for an explanation of the amortization rules.

Original Issue Discount. Certain of the Series 2011 Bonds are offered at a discount ("original issue discount") equal generally to the difference between public offering price and principal amount. Original issue discount on a Series 2011 Bond accrues as tax-exempt interest periodically over the term of the Series 2011 Bond. The accrual of original issue discount increases the holder's tax basis in the Series 2011 Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Bondholders should consult their tax advisors for an explanation of the accrual rules.

State Of Utah Income Tax. Bond Counsel is also of the opinion that interest on the Series 2011 Bonds is exempt from State of Utah individual income taxes under currently existing law.

No Further Opinion. 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 2011 Bonds.

BOND RATINGS

The Series 2011 Bonds are expected to be rated "AA+" (negative outlook) by Standard & Poor's Ratings Services ("S&P"), a Standard & Poor's Financial Services LLC business, with the understanding that upon delivery of the Series 2011 Bonds the Policy insuring the payment when due of principal of and interest on the Series 2011 Bonds will be issued by the Insurer. See "BOND INSURANCE" herein. S&P has assigned an underlying rating (without respect to the Policy) of "A" to the Series 2011 Bonds. In addition Fitch Ratings ("Fitch") has assigned an underlying rating (without respect to the Policy) of "A" to the Series 2011 Bonds.

Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. The ratings are not a recommendation to buy, sell or hold the Series 2011 Bonds and there is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2011 Bonds. The City and the Underwriter have undertaken no responsibility either to bring to the attention of the Registered Owners or the Beneficial Owners of the Series 2011 Bonds any proposed change in or withdrawal of such ratings or to oppose any such change or withdrawal.

FINANCIAL ADVISOR

Lewis Young Robertson & Burningham, Inc. has been employed as an independent financial advisor to the City in connection with the delivery of the Series 2011 Bonds. The financial advisor's fee for services rendered with respect to the Series 2011 Bonds is contingent upon the delivery of such Series 2011 Bonds.

UNDERWRITING

The Series 2011 Bonds are being purchased by George K. Baum & Company, acting as the underwriter (the "Underwriter"), pursuant to a Bond Purchase Agreement between the City and the Underwriter (the "Purchase Agreement"). The Purchase Agreement provides that the Underwriter will purchase all of the Series 2011 Bonds, if any are purchased, at a purchase price of $11,264,804.90 (representing the par amount of the Series 2011 Bonds plus net original issue premium of $251,857.40 and less an underwriting discount of $72,052.50).

MISCELLANEOUS

Additional Information

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 not purport to be complete, and reference is made to said Constitution, statutes, programs, laws, court decisions and the Indenture for full and complete statements of their respective provisions.

All forecasts, estimates and other statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not intended to be construed as a contract or agreement between the City and the purchasers or holders of any of the Series 2011 Bonds. The information contained in this Official Statement is presented for the guidance of prospective purchasers of the Series 2011 Bonds described therein. The information has been compiled from official sources and, while not guaranteed by the City, is believed to be correct.

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.

EAGLE MOUNTAIN CITY
UTAH COUNTY, UTAH

By: /s/ Heather Jackson
Mayor

APPENDIX A

BASIC FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED JUNE 30, 2010

EAGLE MOUNTAIN

Eagle Mountain City

1605 East Stagecoach Run

Eagle Mountain, Utah 84005

Comprehensive Annual Financial Report

For the year ended June 30, 2010

Prepared by:

Finance & Executive Departments

Gordon Burt, Department Head of Finance

Paul Jerome, Senior Accountant

Jason Walker, Management Analyst

Ikani Taumoepeau, Management Intern

CITY OF EAGLE MOUNTAIN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Gilbert & Stewart
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
Eagle Mountain, Utah

December 3, 2010

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Eagle Mountain City, Utah as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Eagle Mountain City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Eagle Mountain City as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated December 3, 2010 on our consideration of Eagle Mountain City's internal control over financial reporting and on our test of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eagle Mountain City's financial statements as a whole. The introductory section, combining and individual non-major fund financial statements, budgetary comparison schedules, capital asset schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual non-major fund financial statements, budgetary comparison schedules, and capital assets schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Gilbert & Stewart

GILBERT & STEWART
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Eagle Mountain City, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $6,446,874. Of this amount, $1,065,240 is reserved and must only be spent on projects for which the money is reserved. The remaining $5,381,634 is divided as follows: $1,030,020 is unreserved in the General Fund, $1,120,288 is unreserved in the General Fund Capital Projects Fund and $3,231,326 is unreserved in the Special Revenue (Special Assessment) and Non-major Governmental Funds.

- The total net assets of $101,070,787 are made up of $75,898,999 in capital assets net of related debt and $25,171,788 in other net assets. Total net assets increased by $5,162,036 from the prior year.

- In the Enterprise (Proprietary) Funds operating revenues decreased $1,857,728 (13.4%). Corresponding operating expenses increased by $548,805 (12.7%).

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements:

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

- The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, other non-financial factors also need to be considered.

- The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event diving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, streets, storm water, economic development, and parks and recreation. The business-type activities of the City include water, sewer, electric, gas, and solid waste.

The government-wide financial statements can be found on pages 25-26 of this report.

Reporting the City's Most Significant Funds:

A fund is grouping of related accounts, used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other states and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- *Governmental Funds-* These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The governmental fund financial statements can be found on pages 27-30 of this report.

The major governmental funds (as determined by generally accepted accounting principles) are the General Fund and certain Special Revenue Funds. The balance of the governmental funds is determined to be non-major and is included in the combined statements within this report.

- *Proprietary Funds.* Eagle Mountain City maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Eagle Mountain City uses enterprise funds to account for its Water Utility, Sewer Utility, Gas Utility, and Electric Utility.

- The basic proprietary fund financial statements can be found on pages 31-33 of this report.

- Additionally the City reports the following fund types:

  Internal Service Fund accounts for the fleet management services provided to other departments of the government, on a cost reimbursement basis.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Eagle Mountain City, assets exceed liability by $101,070,787.

One of the largest portion's of Eagle Mountain City's net assets (74%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are <u>not</u> available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table summarizes the City's net assets. Comparative figures for Fiscal Years 2010 and 2009 are shown below:

Eagle Mountain City's Net Assets:

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	$ 15,206,479	$ 14,072,783	$ 16,915,525	$ 20,301,167	$ 32,122,004	$ 34,373,950
Capital assets	50,936,429	47,380,737	71,627,229	61,867,313	122,563,658	109,248,050
Total assets	66,142,908	61,453,520	88,542,754	82,168,480	154,685,662	143,622,000
Long-term debt outstanding	6,651,268	6,797,295	42,727,691	41,009,500	49,378,959	47,806,795
Other liabilities	2,487,890	2,814,511	1,748,026	2,488,298	4,235,916	5,302,809
Total liabilities	9,139,158	9,611,806	44,475,717	43,497,798	53,614,875	53,109,604
Net assets:						
Invested in capital assets, net of related debt	44,418,052	40,748,737	31,480,947	26,114,762	75,898,999	66,863,499
Restricted	1,065,240	1,500,596	1,283,953	2,564,551	2,349,193	4,065,147
Unrestricted	11,520,458	9,592,381	11,302,137	9,991,369	22,822,595	19,583,750
Total net assets	$ 57,003,750	$ 51,841,714	$ 44,067,037	$ 38,670,682	$ 101,070,787	$ 90,512,396

Changes in Net Assets:

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for services	$ 3,705,627	$ 4,491,894	$ 18,004,454	$ 16,324,142	$ 21,710,081	$ 20,816,036
Operating grants & contrib.	319,680	288,904	650,000	-	969,680	288,904
Capital grants & contrib.	6,545,969	1,011,026	6,397,229	973,910	12,943,198	1,984,936
General revenues:						
Property taxes	1,044,484	835,302	-	-	1,044,484	835,302
General sales & use tax	1,768,140	1,682,982	-	-	1,768,140	1,682,982
Franchise tax	873,339	813,319	-	-	873,339	813,319
Other	-	122,869	-	-	-	122,869
Interest earnings	56,460	202,373	-	-	56,460	202,373
Total revenues	14,313,699	9,448,669	25,051,683	17,298,052	39,365,382	26,746,721

Changes in Net Assets Continued:

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Expenses:						
General government	$ 3,106,321	$ 3,259,897	$ -	$ -	$ 3,106,321	$ 3,259,897
Public safety	3,178,543	3,224,661	-	-	3,178,543	3,224,661
Highways & public works	2,892,028	3,008,069	-	-	2,892,028	3,008,069
Community development	1,298,779	856,425	-	-	1,298,779	856,425
Planning	286,370	311,035	-	-	286,370	311,035
Interest on long-term debt	596,349	642,187	-	-	596,349	642,187
Water utility	-	-	2,736,064	2,219,747	2,736,064	2,219,747
Sewer utility	-	-	2,332,494	2,140,464	2,332,494	2,140,464
Electric utility	-	-	7,652,208	6,901,985	7,652,208	6,901,985
Gas utility	-	-	3,548,988	4,027,587	3,548,988	4,027,587
Golf course	-	-	444,284	-	444,284	-
Non-major business	-	-	689,636	640,488	689,636	640,488
Total expenses	11,358,389	11,302,274	17,403,674	15,930,271	28,762,063	27,232,545
(Loss) on sale of capital assets	-		(44,928)		(44,928)	-
Increase (decrease) in net assets before transfers	2,955,310	(1,853,605)	7,603,081	1,367,781	10,558,391	(485,824)
Transfers	2,206,726	-	(2,206,726)	-	-	-
Increase (decr.) in net assets	5,162,036	(1,853,605)	5,396,355	1,367,781	10,558,391	(485,824)
Net assets - beginning	51,841,714	53,695,319	38,670,682	37,302,901	90,512,396	90,998,220
Net assets - ending	$ 57,003,750	$ 51,841,714	$ 44,067,037	$ 38,670,682	$ 101,070,787	$ 90,512,396

Business-type Activities: Business-type activities increased the City's net assets by $5,396,357. As of the end of the current fiscal year, all of the City's business-type funds reported positive net assets.

Financial Analysis of the Government's Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

At the end of the current fiscal year, the City's governmental funds reported combined fund balances of $6,446,874. Of this total amount (89%) constitutes unreserved fund balance, which is available for spending at the government's discretion. The majority of this unreserved fund balance is in the Special Revenue Funds. The remainder of fund balances $1,065,240 is reserved to indicate that it is not available for new spending because it has already been committed.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was $1,030,020 an increase of $457,295 from Fiscal Year 2009. Total fund balance is $1,360,050, an increase of $560,650 from the prior year. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 11% of total general governmental fund expenditures, while total fund balance represents 15% of that same amount.

The City maintains enterprise funds to account for the business-type activities of the City. The information is found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the combined Enterprise funds at the end of the year amounted to $11,302,137. The value of capital assets net of related debt in these same funds is $31,480,947.

As mentioned in the financial highlights, operational revenues and expenditures in the Enterprise funds increased by $1,857,728 (13.4%) and $548,805 (12.7%), respectively.

General Fund Budgetary Highlights

During the fiscal year, the General Fund's original budget was amended from an original budget expenditure total of $8,440,314 to a final budget of $9,215,370, an increase of $775,056. The increase reflects higher than anticipated expenditures within the General Fund.

Capital Asset and Debt Administration

Capital assets. Eagle Mountain City's investment in capital assets for its governmental and business-type activities as of June 30, 2010, amounts to $122,563,658 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress.

Eagle Mountain City's Capital Assets:

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	$ 5,658,533	$ 5,658,533	$ 6,720,472	$ 4,720,472	$ 12,379,005	$ 10,379,005
Buildings	1,752,075	654,928	3,820,087	3,699,409	5,572,162	4,354,337
Improvements	117,103	4,216	-	-	117,103	4,216
Equipment	1,012,437	1,128,778	-	41,616,730	1,012,437	42,745,508
Infrastructure	42,129,996	38,321,670	45,364,410	-	87,494,406	38,321,670
Construction in progress	266,285	1,612,612	15,722,260	11,830,702	15,988,545	13,443,314
Total net assets	$ 50,936,429	$ 47,380,737	$ 71,627,229	$ 61,867,313	$ 122,563,658	$ 109,248,050

Additional information on the City's capital assets can be found in the footnotes to this financial report.

Long-term debt. At the end of the current year, the City has total bonded debt outstanding of $48,650,000. Of this amount $5,620,000 is from Special Assessment Bonds. The remaining $43,030,000 is secured solely by specific revenues sources (i.e., revenue bonds or excise tax road bond).

Eagle Mountain City's Outstanding Debt (Bonded Debt):

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Special assessment bonds	$ 5,620,000	$ 5,843,000	$ -	$ -	$ 5,620,000	$ 5,843,000
Excise tax bonds	670,000	789,000	-	-	670,000	789,000
Revenue bonds			42,360,000	40,633,171	42,360,000	40,633,171
Total bonds	$ 6,290,000	$ 6,632,000	$ 42,360,000	$ 40,633,171	$ 48,650,000	$ 47,265,171

The City's total outstanding debt increased by a net amount of $1,384,829 during Fiscal Year 2010. The City issued a bond to construct a waste water treatment plant expansion.

State statutes limit the amount of general obligation debt a governmental entity may issue to 4% of its total taxable value. The current limitations for the City are $29,226,968, which is significantly in excess of the City's outstanding general obligation debt. In addition, state statutes allow for an additional 4% to be used for water, sewer, or other projects thus resulting in a debt limit of 8% of total taxable value. Total limitation is $58,453,936, which again significantly exceeds the outstanding general obligation debt.

Additional information on the City's long-term debt can be found in note 9 on pages 55-57 of this report.

- The City issued just over 300 residential building permits in fiscal year 2010. This is an approximate 5.5% growth rate. Much of the growth in building permits issued can be attributed to the federal government stimulus package. The City anticipates that growth in residential construction will slow during fiscal year 2011.

- The City continues to be very conservative in estimating budgeted revenues. In the general fund, budgeted revenues for fiscal year 2011 are up 6.5% from budgeted revenues in fiscal year 2010. During fiscal year 2010, the City received 10% more in sales tax revenue based on our original budget estimates. The City is working hard to maintain a balanced budget while still providing adequate service levels for the residents.

- In the Enterprise funds, the City has been able to keep the utility rates at current levels. The only exception to this is where the City has had to raise sewer rates to reflect the increases from our sewer special service district. This increase affected the residents in the North Service Area who are serviced by the Timpanogos Special Service District. The increase in fees will fund upgrades and expansion of the district.

- During the latter part of fiscal year 2009, the City adjusted the gas rate structure. Prior to this change, the City had two different rates: one for summer, one for winter. The City has been able to take advantage of more stable gas rates and therefore chose the lower of the two rates to use winter and summer.

- During fiscal year 2011, the City will complete a review of its water and sewer utility rates. The review will focus on the long term utility rates to ensure that the rates are adequate to guarantee the continued viability and profitability of each utility, to maintain the existing infrastructure and to ensure that the rates are competitive with other utility companies.

- The City completed the expansion of the wastewater treatment plant in the South Service Area in fiscal year 2010. With the expansion, the wastewater treatment plant will now be able to serve approximately 5,000 homes, or an increase of approximately 3,500 service connections.

Requests for Information

This financial report is designed to provide a general overview of Eagle Mountain's finances for everyone with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Eagle Mountain City Finance Department, 1650 East Stagecoach Run, Eagle Mountain, Utah 84005.

BASIC FINANCIAL STATEMENTS

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EAGLE MOUNTAIN CITY

Statement of Net Assets

June 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 3,410,010	$ 6,442,229	$ 9,852,239
Restricted cash and cash equivalents	3,965,812	5,962,174	9,927,986
Accounts receivable			
Customers (net of allowance)	239,271	2,538,603	2,777,874
Intergovernmental	149,699	-	149,699
Assessments receivable	5,598,377	410,578	6,008,955
Taxes receivable	1,509,541	-	1,509,541
Prepaid expenses	97,622	-	97,622
Internal balances	(255,865)	255,865	-
Deferred bond cost - net	492,012	1,306,076	1,798,088
Capital assets (net of accumulated depreciation):			
Land	5,658,533	6,720,472	12,379,005
Buildings	1,752,075	3,820,087	5,572,162
Improvements	117,103	-	117,103
Equipment and systems	1,012,437	45,364,410	46,376,847
Infrustructure	42,129,996	-	42,129,996
Construction in progress	266,285	15,722,260	15,988,545
Total assets	66,142,908	88,542,754	154,685,662
LIABILITIES			
Accounts payable and accrued liabilities	707,551	1,166,528	1,874,079
Deposits	720,736	414,109	1,134,845
Deferred revenue	887,043	-	887,043
Bond interest payable	172,560	167,389	339,949
Long-term liabilities			
Due within one year	845,651	1,068,269	1,913,920
Due in more than one year	5,805,617	41,659,422	47,465,039
Total liabilities	9,139,158	44,475,717	53,614,875
NET ASSETS			
Invested in capital assets, net of related debt	44,418,052	31,480,947	75,898,999
Restricted			
C Roads	330,030	-	330,030
Impact fees	735,210	1,283,953	2,019,163
Unrestricted	11,520,458	11,302,137	22,822,595
Total net assets	$ 57,003,750	$ 44,067,037	$ 101,070,787

See accompanying notes to financial statements.

EAGLE MOUNTAIN CITY
Statement of Activities
For the Year Ended June 30, 2010

Function/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue & Changes in Net Assets: Governmental Activities	Net (Expense) Revenue & Changes in Net Assets: Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	$ 3,106,321	$ 2,223,429	$ -	$ -	$ (882,892)	$ -	$ (882,892)
Public safety	3,178,543	237,946	313,394	61,286	(2,565,917)	-	(2,565,917)
Public works	2,892,028	28,830	-	6,484,683	3,621,485	-	3,621,485
Community development	1,298,779	279,555	-	-	(1,019,224)	-	(1,019,224)
Planning	286,370	935,867	6,286	-	655,783	-	655,783
Interest on long-term debt	596,349	-	-	-	(596,349)	-	(596,349)
Total governmental activities	11,358,389	3,705,627	319,680	6,545,969	(787,113)	-	(787,113)
Business-type activities:							
Water	2,736,064	2,964,036	-	979,329	-	1,207,301	1,207,301
Sewer	2,332,494	2,438,172	-	1,018,273	-	1,123,951	1,123,951
Electric	7,652,208	7,108,060	-	916,804	-	372,656	372,656
Gas	3,548,988	4,778,522	-	140,169	-	1,369,703	1,369,703
Golf course	444,284	24,783	650,000	3,342,654	-	3,573,153	3,573,153
Non major business-type	689,636	690,881	-	-	-	1,245	1,245
Total business-type activities	17,403,674	18,004,454	650,000	6,397,229	-	7,648,009	7,648,009
Total primary government	$28,762,063	$21,710,081	$ 969,680	$12,943,198	(787,113)	7,648,009	6,860,896
General revenues:							
Property taxes					$ 1,044,484	$ -	$ 1,044,484
General sales and use tax					1,768,140	-	1,768,140
Franchise taxes					873,339	-	873,339
Interest earnings					56,460	-	56,460
Loss on disposal of assets					-	(44,928)	(44,928)
Transfers					2,206,726	(2,206,726)	-
Total general revenues and transfers					5,949,149	(2,251,654)	3,697,495
Change in net assets					5,162,036	5,396,355	10,558,391
Net assets - beginning					51,841,714	38,670,682	90,512,396
Net assets - ending					$57,003,750	$44,067,037	$ 101,070,787

See accompanying notes to financial statements.

EAGLE MOUNTAIN CITY

Balance Sheet
Governmental Funds
For the Year Ended June 30, 2010

	General Fund	Capital Projects	Special Revenue 2000-1	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 1,566,999	$ 1,437,528	$ -	$ 4,624	$ 3,009,151
Restricted cash	-	-	1,683,418	2,282,394	3,965,812
Receivables (net):					
Accounts	239,271	-	-	-	239,271
Taxes	1,509,541	-	-	-	1,509,541
Intergovernmental	149,699	-	-	-	149,699
Special assessments	-	-	4,215,498	1,382,879	5,598,377
Other	97,622	-	-	-	97,622
Total assets	$ 3,563,132	$ 1,437,528	$ 5,898,916	$ 3,669,897	$ 14,569,473
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable & accrued liabilities	$ 565,938	$ 133,610	$ 3,900	$ -	$ 703,448
Deposits	537,106	183,630	-	-	720,736
Deferred revenue	1,100,038	-	4,215,498	1,382,879	6,698,415
Total liabilities	2,203,082	317,240	4,219,398	1,382,879	8,122,599
Fund Balances:					
Fund balances reserved for:					
Roads	330,030	-	-	-	330,030
Impact fees		-	-	735,210	735,210
Unreserved, reported in:					
General fund	1,030,020	-	-	-	1,030,020
Debt service fund	-	-	-	4,624	4,624
Capital projects fund	-	1,120,288	-	-	1,120,288
Special revenue funds	-	-	1,679,518	1,547,184	3,226,702
Total fund balances	1,360,050	1,120,288	1,679,518	2,287,018	6,446,874
Total liabilities & fund balances	$ 3,563,132	$ 1,437,528	$ 5,898,916	$ 3,669,897	$ 14,569,473

See accompanying notes to financial statements.

EAGLE MOUNTAIN CITY
Balance Sheet Reconciliation to
Statement of Net Assets
June 30, 2010

Total fund balances - governmental fund types:	$	6,446,874
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	$	50,936,429
Long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	$	5,811,372
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	$	(6,331,816)
Internal service funds are used by management to charge the costs of fleet management to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.	$	140,891
Net assets of government activities	$	57,003,750

See accompanying notes to financial statements.

EAGLE MOUNTAIN CITY
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	General Fund	Capital Projects	Special Revenue 200-1	Nonmajor Governmental Fund	Total Governmental Funds
REVENUES					
Taxes	$ 3,625,087	$ -	$ -	$ -	$ 3,625,087
Special assessments	-	-	520,833	136,905	657,738
Licenses and permits	948,384	-	-	-	948,384
Intergovernmental	1,025,706	-	-	-	1,025,706
Charges for services	2,533,440	-	-	-	2,533,440
Impact fees		-	319,135	652,694	971,829
Miscellaneous	283,045	308,991	8,151	6,180	606,367
Total revenues	8,415,662	308,991	848,119	795,779	10,368,551
EXPENDITURES					
Current:					
General government	3,013,708	-	38,053	19,000	3,070,761
Public safety	3,146,335	-	-	-	3,146,335
Public works	818,528	-	-	45,858	864,386
Planning and zoning	273,129	-	-	-	273,129
Community development	1,538,065	-	-	-	1,538,065
Debt service:					
Principal retirement	-	-	111,000	231,000	342,000
Interest and fiscal charges	-	-	380,099	149,275	529,374
Capital outlay	233,085	974,562	-	39,028	1,246,675
Total expenditures	9,022,850	974,562	529,152	484,161	11,010,725
Excess revenues over (under) expenditures	(607,188)	(665,571)	318,967	311,618	(642,174)
Other financing sources (uses)					
Operating transfers in	2,506,726	2,060,073	-	150,137	4,716,936
Operating transfers out	(1,338,888)	-	(277,129)	(894,193)	(2,510,210)
Total other financing sources and uses	1,167,838	2,060,073	(277,129)	(744,056)	2,206,726
Net change in fund balance	560,650	1,394,502	41,838	(432,438)	1,564,552
Fund balances - beginning of year	799,400	(274,214)	1,637,680	2,719,456	4,882,322
Fund balances - end of year	$ 1,360,050	$ 1,120,288	$ 1,679,518	$ 2,287,018	$ 6,446,874

See accompanying notes to financial statements.

EAGLE MOUNTAIN CITY
Statement of Changes Reconciliation to
Statement of Activities
For the Year Ended June 30, 2010

Amounts reported for governmental activities in the statement of activities are different because:	
Net changes in fund balances - total governmental funds	$ 1,564,552.00
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	$ (555,984.00)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net assets. - Current year capital contributions from developers	$ 4,174,105.00
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	$ (228,960.00)
The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	$ 271,702.00
Internal service funds are used by management to charge the cost of the fleet management to the individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	$ (24,226.00)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	$ (39,153.25)
Change in net assets of governmental activities	$ 5,162,035.75

See accompanying notes to financial statements.

EAGLE MOUNTAIN CITY
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Business-Type Activities - Enterprise							Governmental Activities
	Water	Sewer	Electric	Gas	Golf Course	NonMajor Enterprise Funds	Total	Internal Service Fund
ASSETS								
Current assets:								
Cash and cash equivalents	$ 360,184	$ 1,046,853	$ 933,872	$3,757,966	$ 343,354	$ -	$ 6,442,229	$ 400,859
Accounts receivable - net	419,487	392,268	911,507	1,088,263	-	137,656	2,949,181	-
Due from other funds	-			35,107	-	-	35,107	
Total current assets	779,671	1,439,121	1,845,379	4,881,336	343,354	137,656	9,426,517	400,859
Noncurrent assets:								
Restricted cash and cash equivalents	2,799,847	410,057	2,430,977	321,293	-	-	5,962,174	-
Land, equipment, buildings and improv.	28,533,960	28,071,925	24,470,551	7,211,827	3,297,726	-	91,585,989	1,625,833
Less: Accumulated depreciation	(5,399,083)	(4,313,406)	(7,212,591)	(2,920,827)	(112,855)	-	(19,958,762)	(845,745)
Deferred bond financing costs - net	169,877	253,852	749,995	132,352	-	-	1,306,076	-
Total noncurrent assets	26,104,601	24,422,428	20,438,932	4,744,645	3,184,871	-	78,895,477	780,088
Total assets	26,884,272	25,861,549	22,284,311	9,625,981	3,528,225	137,656	88,321,994	1,180,947
LIABILITIES								
Current liabilities:								
Accounts payable and accrued liabilities	36,286	536,791	469,910	53,235	-	70,304	1,166,526	4,097
Due to other funds	0				-	35,107	35,107	
Bond interest payable	40,911	54,230	61,411	10,837	-	-	167,389	-
Current portion of long-term debt	120,400	237,600	548,250	96,750	-	-	1,003,000	74,880
Total current liabilities	197,597	828,621	1,079,571	160,822	-	105,411	2,372,022	78,977
Noncurrent liabilities:								
Deposits	138,245	-	140,237	135,627	-	-	414,109	-
Compensated absences	13,232	8,508	29,379	14,150	-	-	65,269	-
Long-term debt (net of current portion)	6,660,951	15,356,909	16,695,328	2,946,234	-	-	41,659,422	78,617
Total noncurrent liabilities	6,812,428	15,365,417	16,864,944	3,096,011	-	-	42,138,800	78,617
Total liabilities	7,010,025	16,194,038	17,944,515	3,256,833	-	105,411	44,510,822	157,594
Net Assets:								
Invested in capital assets, net of related d	18,820,109	8,213,569	14,382	1,248,016	3,184,871	-	31,480,947	626,591
Restricted - impact fees	90,484	358,817	834,652	-	-		1,283,953	-
Unrestricted	963,654	1,095,125	3,490,762	5,121,132	343,354	32,245	11,046,272	396,762
Total net assets	$ 19,874,247	$ 9,667,511	$ 4,339,796	$6,369,148	$3,528,225	$ 32,245	$ 43,811,172	$ 1,023,353

Adjustment to reflect the consolidation of internal service fund activities to the enterprise funds	255,865
Net assets business-type actvities	$ 44,067,037

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EAGLE MOUNTAIN CITY
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2010

	Business-Type Activities - Enterprise Funds							Governmental Activities
	Water	Sewer	Electric	Gas	Golf Course	Nonmajor Enterprise Funds	Total	Internal Service Fund
Operating revenues:								
Charges for services	$ -	$ -	$ -	$ -	$ 21,892	$ 690,881	$ 712,773	$ 46,405
Charges for services pledged as security on revenue bonds	2,168,000	2,219,819	6,518,878	4,766,153	-	-	15,672,850	-
Other operating income	-	-	7,850	-	-	-	7,850	4,092
Total operating revenues	2,168,000	2,219,819	6,526,728	4,766,153	21,892	690,881	16,393,473	50,497
Operating expenses:								
Salaries and wages	374,244	353,526	501,684	361,967	-	-	1,591,421	-
Purchased services	513,120	919,836	4,949,739	2,488,692	331,400	689,080	9,891,867	70,323
Supplies and materials	160,091	75,863	81,251	197,791	29	-	515,025	84,088
Depreciation and amortization	805,380	461,517	1,041,460	328,351	112,855	-	2,749,563	298,467
Miscellaneous	5,215	23,455	5,012	2,978	-	556	37,216	-
Total operating expenses	1,858,050	1,834,197	6,579,146	3,379,779	444,284	689,636	14,785,092	452,878
Operating income	309,950	385,622	(52,418)	1,386,374	(422,392)	1,245	1,608,381	(402,381)
Nonoperating revenues (expenses):								
Interest revenue	9,196	11,421	22,051	12,369	2,891	-	57,928	-
Impact fees	786,840	206,932	559,281	-	-	-	1,553,053	-
Grant proceeds		-	-	-	-		-	
Bond refunding cost amortization	(11,184)	(14,729)	-	-	-		(25,913)	
Developer reimbursements	(495,575)	-	-		-		(495,575)	
Loss on disposal of assets	-	-	-	-	(44,928)	-	(44,928)	
Interest expense and fiscal charges	(330,062)	(459,121)	(790,291)	(139,463)	-	-	(1,718,937)	-
Total nonoperating revenues (expenses)	(40,785)	(255,497)	(208,959)	(127,094)	(42,037)	-	(674,372)	-
Net income (loss) before contributions and transfers	269,165	130,125	(261,377)	1,259,280	(464,429)	1,245	934,009	(402,381)
Capital contributions	979,329	1,018,273	916,804	140,169	3,992,654	-	7,047,229	24,226
Operating transfers in	-		293,735	-	-	-	293,735	-
Operating transfers out	(211,735)	(82,000)	(15,000)	(15,000)	-	(2,176,726)	(2,500,461)	-
Total contributions and transfers	767,594	936,273	1,195,539	125,169	3,992,654	(2,176,726)	4,840,503	24,226
Change in net assets	1,036,759	1,066,398	934,162	1,384,449	3,528,225	(2,175,481)	5,774,512	(378,155)
Total net assets - beginning	18,837,488	8,601,113	3,405,634	4,984,699	-	2,207,726		1,401,508
Total net assets - ending	$ 19,874,247	$ 9,667,511	$ 4,339,796	$ 6,369,148	$ 3,528,225	$ 32,245		$ 1,023,353
Adjustment to reflect the consolidation of internal service fund activities to enterprise funds							(378,155)	
Change in net assets of business-type activities							$ 5,396,357	

See accompanying notes to financial statements.

EAGLE MOUNTAIN CITY

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2010

	Business-Type Activities - Enterprise Funds							Governmental Activities
	Water	Sewer	Electric	Gas	Golf Course	Nonmajor Enterprise Funds	Total BTAs	Internal Service Fund
Cash Flows From Operating Activities								
Receipts from customers	$ 2,120,067	$ 2,159,569	$ 6,468,567	$ 4,714,437	$ 21,892	$ 663,636	$ 16,148,168	$ 50,497
Payments to suppliers	(916,838)	(1,592,971)	(4,981,089)	(2,678,349)	(331,429)	(670,525)	(11,171,201)	(220,988)
Payments to interfund services	(428,026)	-	-	392,919	-	6,889	(28,218)	
Payments to employees	(376,883)	(350,454)	(501,174)	(362,091)	-	-	(1,590,602)	-
Net cash provided (used) by operating activities	398,320	216,144	986,304	2,066,916	(309,537)	-	3,358,147	(170,491)
Cash Flows From Noncapital Financing Activities								
Transfers in	-	-	293,735	-	-	-	293,735	-
Transfers out	(211,735)	(82,000)	(15,000)	-	-	(2,176,726)	(2,485,461)	-
Net cash provided (used) by noncapital financing activities	(211,735)	(82,000)	278,735	-	-	(2,176,726)	(2,191,726)	-
Cash Flows From Capital and Related Financing Activities								
Proceeds from the issuance of long-term debt	-	2,646,829	-	-	-		2,646,829	236,037
Contributions	-	-	-	-	650,000	-	650,000	-
Purchases of capital assets	(1,597,191)	(4,156,061)	(315,340)	(11,184)	-	-	(6,079,776)	(236,037)
Impact fees collected	786,840	206,932	559,281	-	-	-	1,553,053	-
Payments for developer reimbursements	(495,575)	-	-	-	-		(495,575)	
Principal paid on capital debt	(146,200)	(193,800)	(493,000)	(87,000)	-	-	(920,000)	(82,540)
Interest paid on capital debt	(332,048)	(461,755)	(793,500)	(140,635)	-		(1,727,938)	-
Net cash provided (used) by capital and related financing activities	(1,784,174)	(1,957,855)	(1,042,559)	(238,819)	650,000	-	(4,373,407)	(82,540)
Cash Flows From Investing Activities								
Interest and dividends received	2,438	2,520	1,730	342	2,891	-	9,921	-
Net increase (decrease) in cash and cash equivalents	(1,595,151)	(1,821,191)	224,210	1,828,439	343,354	(2,176,726)	(3,197,065)	(253,031)
Cash and cash equivalents - beginning	4,755,182	3,278,101	3,140,639	2,250,820	-	2,176,726	15,601,468	653,890
Cash and cash equivalents (deficit) - end	$ 3,160,031	$ 1,456,910	$ 3,364,849	$ 4,079,259	$ 343,354	$ -	$ 12,404,403	$ 400,859
Reconciliation of operating income to net cash provided (used) by operating activities:								
Operating income	$ 309,950	$ 385,622	$ (52,418)	$ 1,386,374	$ (422,392)	$ 1,245	$ 1,608,381	$ (402,381)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:								
Depreciation expense	805,380	461,517	1,041,460	328,351	112,855	-	2,749,563	298,467
(Inc.)/decrease in accounts rec.	(47,933)	(60,250)	(58,161)	(51,716)	-	(27,245)	(245,305)	-
(Inc.)/decrease in due from other funds	-	-		392,919	-	-	392,919	-
Increase/(decr.) in accounts payable	(259,144)	(573,817)	42,727	(1,705)	-	19,111	(772,828)	(66,577)
Increase/(decr.) in due to other funds	(428,026)	-	-	-	-	6,889	(421,137)	-
Increase/(decr.) in compensated absences	2,576	3,072	(510)	(124)	-	-	5,014	-
Increase/(decr.) in deposits	15,517	-	13,206	12,817	-	-	41,540	-
Total adjustments	88,370	(169,478)	1,038,722	680,542	112,855	(1,245)	1,749,766	231,890
Net cash provided (used) by operating activities	$ 398,320	$ 216,144	$ 986,304	$ 2,066,916	$ (309,537)	$ -	$ 3,358,147	$ (170,491)
Noncash investing, capital, and financing activities								
Contributions by developers	$ 979,329	$ 1,018,273	$ 916,804	$ 140,169	$ 3,297,654			

See accompanying notes to financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

CITY OF EAGLE MOUNTAIN
NOTES TO THE FINANCIAL STATEMENTS
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CITY OF EAGLE MOUNTAIN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Eagle Mountain (the City) financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict the GASB pronouncements. The City applies FASB pronouncements issued after that date to its business-type activities and enterprise funds. The more significant accounting policies established by GAAP and used by the City are discussed below.

A. Reporting Entity

Eagle Mountain City was incorporated December 1996, under laws of the State of Utah. Under the present form of government, administrative and legislative powers are vested in a governing body, consisting of the Mayor and a five-member City Council. They are assisted by a City Administrator, who also is the City's budget officer. The treasurer is currently responsible for the financial matters of the City, including money management, accounts payable, financial statements, utility billing, and accounts receivable. The City provides the following services as mandated by law: Public Safety, Highways and Streets, Sanitation, Parks, Water, Public Improvements, Planning and Zoning, and General Administrative Services.

The General Purpose Financial Statements of the City include the financial statements for all activities of the City based upon the criteria set forth in Governmental Accounting Standards Board (GASB) Statement 14. The primary criteria for including a board or agency in this report is financial accountability, which determines whether an entity is a component unit of the financial reporting entity. Blended component units, although legally separate entities, are in substance part of the government's operations and therefore data from these units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize they are legally separate from the City. The City reports no component units.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

CITY OF EAGLE MOUNTAIN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified basis of accounting. Revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after the year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt as well as expenditures related to compensated absences, claims, and judgments, which are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

CITY OF EAGLE MOUNTAIN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The government reports the following **major governmental funds**:

The *general fund* is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Special Improvement Districts Special Revenue Fund, 2001-1,* is used to account for the proceeds of specific revenue sources (other than expendable trusts, or capital projects) that are legally restricted to expenditures for specified purposes.

The government reports the following **major proprietary funds:**

The *water fund* accounts for the activities of the City's water operations.

The *sewer fund* accounts for the activities of the City's sewer operations.

The *electric fund* accounts for the activities of the City's electric operations.

The *gas fund* accounts for the activities of the City's gas operations.

The *golf course fund* accounts for the activities of the golf course.

Additionally the government reports the following fund types:

The *internal service fund* accounts for the fleet management services provided to other departments of the government, on a cost reimbursement basis.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the general fund by the various enterprise funds for providing administrative services for such funds. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

CITY OF EAGLE MOUNTAIN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

D. Cash and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The City's temporary cash investments consist of amounts deposited with Utah Public Treasurers' Investment Fund and money market funds. Investments are stated at cost, which approximates fair value.

E. Interfund Transactions

During the course of normal operations, the City has transactions between funds to distribute administrative costs and distribute grant proceeds. These transactions are generally reflected as operating transfers, which are transfers from a fund authorized to receive certain revenues to the fund through which the resources are to be expended. The General Fund billed the respective enterprise funds for administrative costs associated with billing and collection of utility charges. These changes are reflected as revenues and expenses in the respective funds.

F. Restricted Assets

The City maintains cash balances as required by bond covenants. These amounts are reflected in the financial statements as restricted cash. It is the City's policy to use restricted assets first and then unrestricted assets.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

CITY OF EAGLE MOUNTAIN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and structures	30-50
Improvements other than buildings	20-50
Infrastructure	30-50
Machinery and equipment	5-10
Furniture and fixtures	5-10

H. Compensated Absences

City employees accrue earned vacation, sick leave, long-term sick leave, and comp time throughout the year. They are allowed to carry forward into the next calendar year all accrued comp, long term sick leave, and up to 240 hours of vacation time, but are encouraged to take their vacation leave within the calendar year in which it is earned. Upon termination of employment, an employee will be compensated for up to 240 hours of unused vacation leave, comp time, long-term sick leave but forfeits any accumulated sick leave.

Vacation pay is accrued when incurred in proprietary funds and reported as a fund liability. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it.

I. Taxes

In Utah, county governments assess, levy, collect and disburse two principal types of tax: (1) personal property tax, which is assessed on business assets other than real estate, and (2) tax on real estate and improvements. Business personal property and real estate taxes attach as an enforceable lien on property as of January 1. Taxes are levied on all business personal property on January 1, and real estate and improvement taxes are levied on January 1 and are payable by November 30. The real property taxes, which are due in November, are reported as a receivable from property taxes on the financial statements. Because these taxes are not considered available to liquidate liabilities of the current period, they are offset by deferred revenue.

CITY OF EAGLE MOUNTAIN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The City Council is authorized by state statute to levy a tax against all real and personal property located within its boundaries. The Council must set a tax rate by June 22 each year.

The County Treasurer, acting as a tax collector, must settle and disburse all tax collections to all taxing entities on a routine basis.

J. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the accrual debt proceeds received, are reported as debt service expenditures. Interest expense is not included in the functions of governmental activities.

K. Fund Equity

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Reservations of net assets are limited to outside third party restrictions. Appropriations of net assets are amounts that are specifically set aside for a particular expense in the following year. Designations of fund balance represent tentative management plans that are subject to change.

L. Use of Estimates

Presenting financial statements in conformity with Generally Accepted Accounting Principles requires management to make certain estimates concerning assets, liabilities, revenues, and expenses. Actual results may vary from these estimates.

CITY OF EAGLE MOUNTAIN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2010

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANICAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets.

This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

1. **Capital related items:**
When capital assets (property, plant, and equipment) that are to be used in governmental activities are purchased or constructed, the cost of these assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the city as a whole.

Cost of capital assets	$66,889,057
Accumulated depreciation	(15,952,628)
Net adjustment to increase *fund balance total governmental funds* to arrive at *net-assets - governmental activities)*	$50,936,429

2. **Long-term assets:**
Long-term assets applicable to the City's governmental activities are not available to pay for expenditures of the current period and are, therefore, deferred in the governmental balance sheet.

Special assessment revenue	$5,599,106
Delinquent property taxes	212,266
Net adjustment to increase *fund balance – total governmental funds* to arrive at *net assets - governmental activities*	$5,811,372

3. **Long-term debt transactions:**
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the fund statements. All liabilities (both current and long-term) are reported in the statement of net assets.

CITY OF EAGLE MOUNTAIN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2010

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANICAL STATEMENTS ***(Continued)***

Bonds payable	($6,290,000)
Lease payable	(153,497)
Bond interest payable	(172,560)
Deferred bond costs	492,012
Compensated absences	(207,771)
Net adjustment to reduce *fund balance – total governmental funds* to arrive at *net assets – governmental activities*	($6,331,816)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense."

Capital outlay	$1,246,675
Depreciation expense	(1,802,659)
Net adjustment to increase *net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities*	($ 555,984)

Another element of that reconciliation states, "The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities."

CITY OF EAGLE MOUNTAIN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2010

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANICAL STATEMENTS ***(Continued)***

Debt issued:	
Bonds issuance cost amortization	($70,298)
Principal payments:	
Principal paid on bonds and capital leases	342,000
Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities*	$271,702

Another element of that reconciliation states that certain expenses reported in the statement of activities do not require the use of current financial resources and are, therefore, not reported as expenditures in the governmental funds.

Accrued bond interest	$ 3,323
Compensated absences	(42,476)
Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities*	$ (39,153)

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CITY OF EAGLE MOUNTAIN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2010

NOTE 3 - BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are prepared and adopted in accordance with the Uniform Fiscal Procedures Act adopted by the State of Utah. Once a budget has been adopted, it remains in effect until it has been formally revised. Furthermore, in accordance with state law, all appropriations lapse at the end of the budget year. If any obligations are contracted for and are in excess of adopted budget, they are not a valid or enforceable claim against the City. Budgets are adopted on a basis consistent with generally accepted accounting principles.

The City adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

A. On or before the first regularly scheduled meeting of the City Council in May, the City Administrator, authorized under state statute to be appointed budget officer, submits a proposed operating budget. The operating budget includes proposed expenditures and the means of financing them.

B. A public hearing is held at which time the taxpayers' comments are heard. Notice of the hearing is given in the local newspaper at least seven days prior to the hearing. Copies of the proposed budget are made available for public inspection ten days prior to the public hearing.

C. On or before June 22, a final balanced budget must be adopted through passage of a resolution for the subsequent fiscal year beginning July 1.

D. Control of budgeted expenditures is exercised, under state law, at the departmental level. The City Administrator, however, acting as budget officer, has the authority to transfer budget appropriations between line items within any department of any budgetary fund. The City Council, by resolution, has the authority to transfer budget appropriations between the individual departments of any budgetary fund.

E. Budget appropriations for any department may be reduced by resolution.

F. A public hearing, as required in (B) above, must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.

G. Encumbrances lapse at year end. Encumbered amounts carry over to the following year and are subject to reappropriation. Therefore, no encumbrances are presented in the financial statements.

During the budget year, the City modified the budget using the above procedures.

CITY OF EAGLE MOUNTAIN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2010

NOTE 4 – CASH EQUIVALENTS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. At June 30, 2010 the City's cash balance consisted of the following:

	Total Cash From All Fund Types
Cash, cash equivalents, and temporary cash investments	$ 9,852,239
Cash, and cash equivalents - restricted	9,927,986
Total cash and cash equivalents	$ 19,780,225

While the City's carrying amount of deposits was $19,994,810, the balance in the City's bank account and cash on hand was $19,780,225, with the difference being due to outstanding checks and deposits in transit.

NOTE 4 – CASH EQUIVALENTS AND INVESTMENTS *(Continued)*

A. Deposits

Deposits – Custodial Credit Risk. Custodial risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City follows the requirements of the Utah Money Management Act in handling its depository and investing transactions. The City considers the actions of the State Money Management Council to be necessary and sufficient for adequate protection of its uninsured bank deposits. City funds are deposited in qualified depositories as defined by the Act. The City does not have a deposit policy for custodial credit risk. As of June 30, 2010, the City's custodial credit risk for deposits were as follows:

Depository Account	Custodial Credit Risk	Balance June 30, 2010
Checking and savings	Insured and collateralized	$ 350,000
Checking and savings	Uninsured and uncollateralized	816,454
Investment sweep	Uninsured and uncollateralized	4,140,070
Total deposits		$ 5,306,524

B. Investments

The City's investments are managed through participation in the State Public Treasurers' Investment Fund and through a trust arrangement with a local bank. As of June 30, 2010, the City had the following investments:

CITY OF EAGLE MOUNTAIN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2010

NOTE 4 – CASH EQUIVALENTS AND INVESTMENTS *(Continued)*

	Investment Maturities (in Years)			
Investments	Less Than 1	1-5	6-10	More than 10
Utah Public Treasurer's Investment Fund	$ 5,353,813	$ -	$ -	$ -
First American Treasury Obligations	9,334,473			
Total investments	$ 14,688,286	$ -	$ -	$ -

Investments – Interest Rate Risk. The City does not have a formal investment policy that limits investment maturities as a means of increasing interest managing its exposure to fair value losses arising from rates. However, interest rate risk is managed by compliance with the Utah Money Management Act, which provides guidance for handling depository and investing transactions in order to minimize interest rate risk.

Investments – Credit Risk. The City follows the requirements of the Utah Money Management Act in handling its depository and investing transactions. The City funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the City to invest in the Utah Public Treasurers Investment Fund (PTIF), certificates of deposit, U.S. Treasury obligations, U.S. agency issues, restricted mutual funds, and obligations of governmental entities within the State of Utah. The City's investments are invested in accordance with the Act. The State Money Management Council provides regulatory oversight for the investments. The degree of risk of the investments depends on the underlying portfolio. The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, public treasurers are notified immediately. The City considers the actions of the Council to be necessary and sufficient for adequate protection of its investments. The City has no investment policy that would further limit its investment choices.

CITY OF EAGLE MOUNTAIN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2010

NOTE 4 – CASH EQUIVALENTS AND INVESTMENTS *(Continued)*

Investments	Fair Value	Quality Ratings AAA	AA	More than A	Unrated
Utah Public Treasurer's Investment Fund	$ 5,353,813	$ -	$ -	$ -	$ 5,353,813
First American Treasury Obligations	9,334,473	9,334,473			-
Total investments	$ 14,688,286	$ 9,334,473	$ -	$ -	$ 5,353,813

Investments Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the City's $14,688,286 investment in a trust arrangement, and the Utah State Treasurers Investment Pool, the entire amount of underlying securities are held by the Investment's counterparty, not in the City's name and are not insured. The City's investment arrangements primarily invest in Utah State Treasurers investment pool, obligations of the United States Treasury, agencies, or instrumentalities of the United States that meet the allowable investments of the Utah Money Management Act. The City does not have an investment policy for custodial credit risk.

CITY OF EAGLE MOUNTAIN

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2010

NOTE 5 - RECEIVABLES

Receivables as of year end for the government's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	SID 2001-1	Water	Sewer	Electric	Gas	Nonmajor Enterprise	Nonmajor Govt'l	Total
Receivables:									
Accounts	$336,893	$ -	$ 428,048	$400,273	$929,548	$691,108	$140,465	$ -	$2,926,335
Taxes	1,509,541								1,509,541
Special									-
Assessments		4,215,498				410,578		1,382,879	6,008,955
Intergovernmental	149,699								149,699
Less: allowance									-
for uncollectible									-
accounts			(8,561)	(8,005)	(18,041)	(13,423)	(2,809)		(50,839)
	$ 1,996,133	$4,215,498	$419,487	$392,268	$911,507	$ 1,088,263	$ 137,656	$ 1,382,879	$ 10,543,691

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CITY OF EAGLE MOUNTAIN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2010

NOTE 6 – INTERFUND RECEIVABLES AND TRANSFERS

The internal balances for June 30, 2010 consist of a due to other funds of $35,107 from the garbage fund, and a due from other funds of $35, 107 from the gas fund.

The City transferred funds monies to support capital expenditures in the construction funds. The City also transferred proceeds from the sale of the telecom fund to the general fund.

The operating transfers of the City consist of the following:

Transfer In:	General	Capital Projects	SID 2000-1	Nonmajor Govrnmtl.	Business Type	Total
General	$ -	$ -	$ -	$ 300,000	$ 2,206,726	$ 2,506,726
SID 2000-1	-		-	-	-	-
Nonmajor govtl.	-		-	150,137	-	150,137
Capital projects	1,338,888	-	277,129	444,056	-	2,060,073
Business type	-	-	-	-	293,735	293,735
Total transfer out	$ 1,338,888	$ -	$ 277,129	$ 894,193	$ 2,500,461	$ 5,010,671

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned
Property taxes receivable (general fund)		$ 887,771
Property tax delinquent	$ 212,267	
Special assessments (special revenue fund)	5,598,377	
Total	$5,810,644	$ 887,771

CITY OF EAGLE MOUNTAIN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2010

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

Primary Government **Governmental activities:**	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 5,658,533	$ -	$ -	$ 5,658,533
Construction in progress	1,612,612	266,285	1,612,612	266,285
Total capital assets not being depreciated	7,271,145	266,285	1,612,612	5,924,818
Capital assets being depreciated:				
Buildings	841,116	1,115,839	-	1,956,955
Improvements	7,600	112,161	-	119,761
Machinery and equipment	2,662,668	280,206	-	2,942,874
Infrastructure	50,449,711	5,494,938	-	55,944,649
Total capital assets being depreciated	53,961,095	7,003,144	-	60,964,239
Less accumulated depreciation for:				
Buildings	186,188	18,692	-	204,880
Improvements	2,405	253	-	2,658
Machinery and equipment	1,533,890	396,547	-	1,930,437
Infrastructure	12,129,020	1,685,633	-	13,814,653
Total accumulated depreciation	13,851,503	2,101,125	-	15,952,628
Total capital assets, being depreciated, net	40,109,592	4,902,019	-	45,011,611
Governmental activities capital assets, net	$ 47,380,737	$ 5,168,304	$ 1,612,612	$ 50,936,429

Business-type activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in progress	$ 11,830,702	$ 5,777,686	$ 1,886,128	$ 15,722,260
Land	4,720,472	2,000,000	-	6,720,472
Total capital assets not being depreciated	16,551,174	7,777,686	1,886,128	22,442,732
Capital assets being depreciated:				
Buildings	4,608,496	255,500		4,863,996
Equipment and systems	57,994,745	6,284,518		64,279,263
Total capital assets being depreciated	62,603,241	6,540,018	-	69,143,259
Less accumulated depreciation for:				
Buildings	909,087	134,822		1,043,909
Machinery and equipment	16,378,015	2,536,838		18,914,853
Total accumulated depreciation	17,287,102	2,671,660	-	19,958,762
Total capital assets, being depreciated, net	45,316,139	3,868,358	-	49,184,497
Business-type activities capital assets, net	$ 61,867,313	$ 11,646,044	$ 1,886,128	$ 71,627,229

CITY OF EAGLE MOUNTAIN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2010

NOTE 7 - CAPITAL ASSETS *(Continued)*

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	$ 28,768
Public safety	62,037
Public works	1,997,888
Planning	5,390
Community development	7,042
Total depreciation expense - governmental activities	$ 2,101,125
Business-type activities:	
Water	$ 797,448
Sewer	449,404
Electric	992,280
Gas	319,673
Golf course	112,855
Total depreciation expense - business-type activities	$ 2,671,660
Total depreciation expense	$ 4,772,785

The City has various construction projects as of June 30, 2010. The City's commitments with contractors are as follows:

Project	Remaining Commitment
Electric projects	$ 5,475
Road projects	2,728
Parks & trail projects	55,909
Water projects	114,348
Sewer projects	52,779
Total	$ 231,239

CITY OF EAGLE MOUNTAIN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2010

NOTE 8 – LEASE COMMITMENTS

During 2010 the City executed a new lease in the internal service fund, in the amount of $236,037 payable in annual installments for 3 years.

Assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Machinery and equipment	$ 236,037
Less: Accumulated amortization	(35,405)
Total	$ 200,632

Amortization of capital assets purchased under capital leases are included in depreciation.

The present future minimum capital lease payments under this lease as on June 30, 2010:

Fiscal Year	Governmental Amount
2011	$ 82,540
2012	82,540
Total minimum lease payments	$ 165,080
Less amounts representing interest	(11,583)
Present value of minimum lease payments	$ 153,497

At June 30, 2010 the City's capital leases payable balance consisted of the following:

	Total Capital Leases Payable All Fund Types
Capital leases payable	$ 153,497
Current portion capital lease payable	(74,880)
Long-term capital leases payable	$ 78,617

CITY OF EAGLE MOUNTAIN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2010

NOTE 9 – LONG-TERM DEBT

Bonds and notes payable at June 30, 2010 are comprised of the following:

1. **$6,295,000 Eagle Mountain City Special Assessment Bonds Series 2005A (SID 98-1)**

These bonds require annual installments of interest and principal due beginning May 1, 2006 through May 1, 2013 bearing interest of 6.25%. The debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2011	$ 315,000	$ 87,250	$ 402,250
2012	518,000	67,564	585,564
2013	563,000	35,188	598,188
Total	$ 1,396,000	$ 190,002	$ 1,586,002

2. **$8,840,000 Eagle Mountain City Special Assessment Bond 2006 (SID 2000-1)**
This bond was used to refund the original SID 2001-1 Bond. The refunding was undertaken to reduce future debt payments. This bond requires annual installments of interest and principal due beginning February 2007 through February 2021 bearing an interest rate ranging from 8.25% to 8.35%. Debt service requirements are as follows:

Fiscal Year	Principal	Interest	Total
2011	$ 125,000	$ 354,008	$ 479,008
2012	166,000	343,696	509,696
2013	180,000	330,000	510,000
2014	194,000	315,150	509,150
2015	210,000	293,617	503,617
2016-2020	2,591,000	1,046,596	3,637,596
2021	758,000	62,536	820,536
Total	$ 4,224,000	$ 2,745,603	$ 6,969,603

3. **$1,226,000 Eagle Mountain City Excise Tax Road Bonds Series 2005**

These bonds require semiannual payments of interest and annual payments of principal due September 1, 2005 through September 1, 2014, bearing interest ranging from 2.52% to 4.5%. The debt service requirements to maturity are as follows:

CITY OF EAGLE MOUNTAIN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2010

NOTE 9 – LONG-TERM DEBT *(Continued)*

Fiscal Year	Principal	Interest	Total
2011	$ 123,000	$ 26,362	$ 149,362
2012	128,000	21,176	149,176
2013	134,000	15,588	149,588
2014	139,000	9,635	148,635
2015	146,000	3,285	149,285
Total	$ 670,000	$ 76,046	$ 746,046

4. $16,500,000 Eagle Mountain Water and Sewer Refunding Bonds Series 2007

This bond was used to refund the original Water and Sewer Bond. The refunding was undertaken to reduce future debt payments. This bond requires annual installments of principal and interest due beginning November 2008 through November 2031, bearing an interest ranging from 4.00% to 5.00%. The debt service requirements are as follows:

Fiscal Year	Principal	Interest	Total
2011	$ 280,000	$ 761,125	$ 1,041,125
2012	290,000	749,926	1,039,926
2013	325,000	738,326	1,063,326
2014	320,000	724,512	1,044,512
2015	335,000	710,912	1,045,912
2016-2020	2,190,000	3,309,530	5,499,530
2021-2025	3,140,000	2,687,716	5,827,716
2026-2030	5,090,000	1,810,838	6,900,838
2031-2035	3,805,000	289,000	4,094,000
Total	$ 15,775,000	$ 11,781,885	$ 27,556,885

6. Eagle Mountain City Electric and Gas Revenue Bonds Series 2006.

This bond was issued to refund a prior revenue bond and to reduce restrictive covenants. This bond requires semi-annual payments of interest and principal beginning June 2006 through June 2026, bearing an interest rate ranging from 3.5% to 5.0 % Debt service requirements to maturity are as follows:

CITY OF EAGLE MOUNTAIN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2010

NOTE 9 – LONG-TERM DEBT *(Continued)*

Fiscal Year	Principal	Interest	Total
2011	$ 645,000	$ 911,819	$ 1,556,819
2012	715,000	888,599	1,603,599
2013	790,000	862,680	1,652,680
2014	870,000	833,056	1,703,056
2015	955,000	798,256	1,753,256
2016-2020	6,145,000	3,284,300	9,429,300
2021-2025	7,970,000	1,602,630	9,572,630
2026-2030	1,830,000	82,350	1,912,350
	$ 19,920,000	$ 9,263,690	$ 29,183,690

7. **$6,665,000 Eagle Mountain City Sewer Water Quality Board Bond Series 2008.**

This bond was issued for the construction of a waste water treatment plant expansion. This bond requires annual payments of interest and principal beginning December 2009 through December 2028, bearing an interest rate of 1%. The bond is a reimbursement bond. The total amount of the bond is $6,665,000. As of June 30, 2010 the City has drawn the entire amount.

Fiscal Year	Principal	Interest	Total
2011	$ 78,000	$ 66,260	$ 144,260
2012	105,000	63,345	168,345
2013	117,000	64,235	181,235
2014	130,000	63,000	193,000
2015	157,000	61,565	218,565
2016-2020	1,228,000	276,340	1,504,340
2021-2025	2,015,000	195,075	2,210,075
2026-2030	2,835,000	74,675	2,909,675
	$ 6,665,000	$ 864,495	$ 7,529,495

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CITY OF EAGLE MOUNTAIN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2010

NOTE 9 – LONG-TERM DEBT *(Continued)*

8. Total debt service requirements of the City for all bonds and notes are as follows:

Fiscal Year	Principal	Interest	Total
2011	$ 1,566,000	$ 2,201,295	$ 3,767,295
2012	1,922,000	2,130,777	4,052,777
2013	2,109,000	2,040,491	4,149,491
2014	1,653,000	1,939,825	3,592,825
2015	1,802,000	1,867,635	3,669,635
2016-2020	12,154,000	7,916,766	20,070,766
2021-2025	13,883,000	4,547,957	18,430,957
2026-2030	9,755,000	1,967,863	11,722,863
2031-2035	3,806,000	289,000	4,095,000
Total	$ 48,650,000	$ 24,901,609	$ 73,551,609

Governmental Activities:	July 1 2009	Additions	Reductions	June 30 2010	Due in One Yr
Bonds Payable					
Excise tax road bonds	$ 789,000	$ -	$ 119,000	$ 670,000	$ 123,000
Special assessment bond 2004A 98-1	1,508,000	-	112,000	1,396,000	315,000
Special assessment bond 2006 200-1	4,335,000	-	111,000	4,224,000	125,000
Total bonds payable	6,632,000	-	342,000	6,290,000	563,000
Leases payable	-	236,037	82,540	153,497	74,880
Compensated absences	165,295	121,531	79,055	207,771	207,771
Gov't activities long-term debt	$ 6,797,295	$ 357,568	$ 503,595	$ 6,651,268	$ 845,651
Business-Type Activities:					
Bonds payable:					
2008 water and sewer refunding bond	$ 16,115,000	$ -	$ 340,000	$ 15,775,000	$ 280,000
Unamortized bond premium	351,017	-	15,659	335,358	
Less unamortized cost of refunding	(425,372)	-	(25,913)	(399,459)	-
Electric and gas refunding bond	20,500,000	-	580,000	19,920,000	645,000
Unamortized bond premium	390,429	-	23,906	366,523	-
2009 sewer revenue bond	4,018,171	2,646,829	-	6,665,000	78,000
Total bonds payable	40,949,245	2,646,829	933,652	42,662,422	1,003,000
Compensated absences	60,254	47,586	42,571	65,269	65,269
Business type long-term debt	$ 41,009,499	$ 2,694,415	$ 976,223	$ 42,727,691	$ 1,068,269

CITY OF EAGLE MOUNTAIN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2010

NOTE 10 – RESERVED FUND BALANCES

The City has reserved fund balances for unspent impact fees and unspent B&C road funds.

NOTE 11 - LITIGATION

The City is a defendant in certain legal actions and pending actions, or in process for miscellaneous claims. The ultimate liability that might result from the final resolution of the above matters is not presently determinable. City management is of the opinion that the final outcome of the cases will not have an adverse material affect on the City's financial statements.

NOTE 12 - RISK MANAGEMENT

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

NOTE 13 - RETIREMENT PLAN

Plan Description. Eagle Mountain City contributes to the Local Governmental Noncontributory Retirement System, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, and Public Safety Retirement System for employers with Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

CITY OF EAGLE MOUNTAIN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2010

NOTE 13 - RETIREMENT PLAN *(Continued)*

Funding Policy. In the Local Governmental Noncontributory Retirement System, Eagle Mountain City is required to contribute 11.66% of their annual covered salary. The City is required to contribute 9.68% to the firefighters. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are approved by the Board.

Eagle Mountain City contributions to the Noncontributory Retirement System for June 30, 2010, 2009, and 2008, were \$374,635, \$368,797, and \$355,338, respectively. The contributions were equal to the required contributions for each year.

Eagle Mountain City contributions to the Firefighters Retirement System for June 30, 2010 and 2009 and 2008 were \$37,701, \$35,310, and \$19,547, respectively. Eagle Mountain City contributions to the 457 Contribution System for June 30, 2010, 2009 and 2008 were \$171,756, \$166,736, and \$140,543, respectively.

NOTE 14 – CONTINGENT LIABILITIES

The City has entered into agreements with various developers to donate infrastructure that will benefit future development within the city. These developers will be repaid with the impact fees collected from those future developments. Because of the fluctuations in the building market within the City and due to the uncertainty of new developments actually being built, the amounts are not reflected as liabilities on the financial statements. They will be recorded as expenses as the future impact fees are received. The amount of outstanding impact fee reimbursement agreements as of the balance sheet date is \$7,795,671.

NOTE 15 – GOLF COURSE

The City created a new enterprise fund during the 2010 fiscal year. The Golf course fund was created to account for the activities of the golf course within the City. The golf course was contributed to the city by the previous owners. The contribution included the land, buildings, equipment, lease rights and cash. The total contribution to the City was \$3,992,654. The City has leased the course including the land, buildings, and equipment to an outside management company. The lease is a 10 year lease with the lease payments at \$1 annually year. The management company has the option to purchase the course from the City at that time. The City as agreed with the management company to pay operating costs in excess of revenues of the course up to the amount of the cash contributed by the original owners.

CITY OF EAGLE MOUNTAIN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 2010

NOTE 16 – SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 10, 2010, the date the financial statements were available to be issued.

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APPENDIX B

EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE

The following contains extracts of certain provisions and definitions contained in the Indenture and is not to be considered as a full statement thereof. Reference is made to the Indenture for full details of the Indenture, terms of the Series 2011 Bonds and the security provisions appertaining thereto.

Definitions

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

"Acquisition/Construction Fund" means the Eagle Mountain City, Utah Gas and Electric Revenue Acquisition/Construction Fund created in the Indenture to be held by the Trustee.

"Act" means the Local Government Bonding Act, Title 11, Chapter 14, Utah Code Annotated 1953, as amended and/or 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.

"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, Finance Director/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.

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

"Bond Anticipation Notes" means notes issued pursuant to the Indenture in anticipation of the issuance of a Series of Bonds.

"Bond Fund" means the Eagle Mountain City, Utah Gas and Electric Revenue Bond Fund created in the Indenture to be held by the Trustee.

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

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

"Capital Appreciation Bonds" means Bonds 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 and any deputy to the City Recorder.

"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 Bonds" means Bonds issued pursuant to the Indenture to complete a Project or to acquire or construct a new Project.

"Cost" or "Costs" or "Costs of Construction" 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 with 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 the Indenture provides, of any discount on bonds or other securities, and of any reserves for the payment of the principal of and interest on a Series of Bonds, of any replacement expenses and of any other cost of issuance of a Series of Bonds or other securities, Security Instrument Costs and Reserve Instrument Costs;

(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 Special Provisions for the Issuance of Construction Bonds as provided in 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 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);

(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 with the approval of each Rating Agency, for such floating payments) to be made by the Issuer under the Interest Rate Swap; provided that the above described calculation of Debt Service may be utilized only if such Interest Rate Swap does not result in a reduction or withdrawal of any rating then in effect with respect to the Bonds and so long as such Interest Rate Swap is contracted to remain in full force and effect;

(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);

(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.

(6) Amortization of Balloon Bonds may be assumed on a level debt service basis over a twenty-year period at the interest rate based on the Revenue Bond Index as last published in *The Bond Buyer*, provided that the full amount of Balloon Bonds shall be included in the calculation if the calculation is made within twelve (12) months of the actual maturity of such Balloon Bonds and no credit facility exists.

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

"Debt Service Reserve Requirement" means with respect to each Series of Bonds issued pursuant to the Indenture, unless otherwise provided in the related Supplemental Indenture, an amount equal to the least of (i) 10% of the proceeds of such Series of Bonds determined on the basis of original principal amount (unless original issue premium or original issue discount exceeds 2% of original principal, then determined on the basis of initial purchase price to the public), (ii) the maximum annual Debt Service during any Bond Fund Year for such Series of Bonds, and (iii) 125% of the average annual Debt Service for such Series of Bonds; provided, however, that in the event any Series of Additional 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 for in the Indenture, and 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 Municipal 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 Eagle Mountain City, Utah, and its successors.

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

"Moody's" means Moody's Investors Service, Inc.

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

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

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

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

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

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

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

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

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

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

"Principal Installment" means, as of any date of calculation, (i) with respect to any Series of Bonds, so long as any Bonds thereof are Outstanding, (a) the Principal 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 gas and electric 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) S.E.C. registered money market mutual funds conforming to Rule 2a-7 of the Investment Company Act of 1940 that invest primarily in direct obligations issued by the U.S. Treasury and repurchase agreements backed by those obligations, including funds for which the Trustee or an affiliate of the Trustee acts as an advisor, and rated in the highest category by Standard & Poor's Corporation and Moody's Investors Service, Inc.;

(d) Investments in (i) senior obligations of the Federal Home Loan Bank System, (ii) participation certificates or senior debt obligations of the Federal Home Loan Mortgage Corporation, (iii) mortgage-backed securities and senior debt obligations (excluding stripped mortgage securities that are valued greater than par on the portion of unpaid principal) of the Federal National Mortgage Association, or (iv) senior debt obligations of the Student Loan Marketing Association;

(e) Repurchase agreements with primary dealers and/or banks rated, at all times, AA and AA2 or better by Standard & Poor's Corporation and Moody's Investors Service, Inc., respectively, collateralized with the obligations described in (a) or (b) above, held by a third party custodian, at the levels set forth below, which repurchase agreements have been approved by the Security Instrument Issuer;

(f) Certificates of deposit of any bank (including the Trustee), trust company or savings and loan association whose short term obligations are rated, at all times, A-1 or better by Standard & Poor's Corporation and P-1 by Moody's Investors Service, Inc. provided that such certificates of deposit are fully secured by the obligations described in (a) or (b) above, at the levels set forth below, the Trustee has a perfected first security interest in the obligations securing the certificates and the Trustee holds (or shall have the option to appoint a bank, trust company or savings and loan association as its agent to hold) the obligations securing the certificates;

(g) Certificates of deposit of any bank (including the Trustee), trust company, or savings and loan association which certificates are fully insured by the Federal Deposit Insurance Corporation;

(h) Obligations of, or obligations fully guaranteed by, any state of the United States of America or any political subdivision thereof which obligations, at all times, are rated by Standard & Poor's Corporation and Moody's Investors Service, Inc. in the highest rating categories (without regard to any refinement or graduation of rating category by numerical modifier or otherwise) and without regard to credit enhancement assigned by such rating agencies to obligations of that nature;

(i) 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;

(j) 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;

(k) 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 or 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);

(l) The fund held by the Treasurer for the State of Utah and commonly known as the Utah State Public Treasurer's Investment Fund; and

(m) 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, with the prior written consent of the Security Instrument Issuer, if applicable.

"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 Eagle Mountain City, Utah Gas and Electric Revenue Rebate Fund created in the Indenture to be held by the Trustee.

"Register" means the record of ownership of the Bonds maintained by the Registrar.

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

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

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

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

"Repair and Replacement Fund" means the Eagle Mountain City, Utah Gas and Electric Revenue Repair and Replacement Fund created in the Indenture to be held by the Issuer.

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

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

"Reserve Instrument" means a device or instrument issued by a Reserve Instrument Provider to satisfy all or any portion of the Debt Service Reserve Requirement applicable to a Series of Bonds. In the event a Series of Bonds is insured by a Security Instrument Issuer, the Reserve Instrument shall comply in form and substance with such Security Instrument Issuer's requirements. 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 Eagle Mountain City, Utah Gas and Electric Revenue and Refunding Reserve Instrument Fund created in the Indenture to be held by the Trustee.

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

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

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

"Revenue Fund" means the Eagle Mountain City, Utah Gas and Electric Revenue Fund created in the Indenture to be held by the Issuer.

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

"S&P" means Standard & Poor's Rating Services.

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

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

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

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

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

"Series" means all of the Bonds 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 Eagle Mountain City, Utah Gas and Electric Revenue and Refunding Sinking Fund Account of the Bond Fund created in the Indenture to be held by the Trustee.

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

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

"State" means the State of Utah.

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

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

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

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

"System" means, collectively, the Issuer's gas and electric utility, together with any additions, repairs, renewals, replacements, expansions, extensions and improvements to said System, or any part thereof, hereafter acquired or constructed, and together with all lands, easements, interests in land, licenses and rights of way of the Issuer and all other works, property, structures, equipment of the Issuer and contract rights and other tangible and intangible assets of the Issuer now or hereafter owned or used in connection with, or related to said System.

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

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

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

"Utah Code" means Utah Code Annotated 1953, as amended.

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

"Year" means any twelve consecutive month period.

The Bonds

Limited Obligation

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

Indenture to Constitute Contract

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

Covenant against Creating or Permitting Liens

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

Additional Bonds

Special Provisions for the Issuance of Additional Construction Bonds

(a) One or more Series of Bonds may be authenticated and delivered upon original issuance from time to time in such principal amounts for each such Series as may be determined by the Issuer for the purpose of paying or providing for the payment of all or a portion of (1) the Cost of Construction of a Project, (2) principal and redemption price of and interest on Bond Anticipation Notes, or (3) any combination of (1) and (2).

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

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

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

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

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

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

(iii) Verification that the Net Revenues for the most recent Bond Fund Years for which an audit is available immediately preceding were not less than 125% of the sum of the Aggregate Annual Debt Service Requirement on all Bonds Outstanding for said year, plus the Construction Bonds proposed to be issued.

(d) Notwithstanding any other provision hereof, and in the event any Series of Bonds is insured by a Security Instrument Issuer, with such Security Instrument Issuer's prior written consent, if required, the provisions of (c)(iii) above shall apply:

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

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

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

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

<u>Special Provisions for the Issuance of Refunding Bonds</u>

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

<u>Conditions for Issuance of Bond Anticipation Notes</u>

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

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

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

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

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

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

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

(iii) A statement that the issuance of such Series of Bond Anticipation Notes complies with the requirements of the Indenture, including (c)(iii) under "Special Provisions for the Issuance of Additional Construction Bonds" above.

Use of Funds

Use of Acquisition/Construction Fund

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

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

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

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

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

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

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

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

Use of Bond Fund

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

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

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

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

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

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

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

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

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

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

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

Use of Sinking Fund Account

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

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

Use of Debt Service Reserve Fund

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

In the event 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 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. The Issuer may, with the approving opinion of bond counsel 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 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 in the Indenture may, at any time, be used by the Issuer for any lawful purpose.

Investment of Funds

Any moneys in the Bond Fund, the Acquisition/Construction Fund, the Reserve Instrument Fund, the Rebate Fund, the Debt Service Reserve Fund shall, at the discretion and authorization of the Issuer, be invested by the Trustee in Qualified Investments; provided, however, that moneys on deposit in the Bond Fund, the Reserve Instrument Fund, and Debt Service Reserve Fund may only be invested in Qualified Investments described in (a), (b), or (c) of the definition thereof having a maturity date of one year or less. If no written authorization is given to the Trustee, moneys shall be held uninvested. Such investments shall be held by the Trustee, and when the Trustee determines it necessary to use the moneys in the Funds for the purposes for which the Funds were created, it shall liquidate at prevailing market prices as much of the investments as may be necessary and apply the proceeds to such purposes. All income derived from the investment of the Acquisition/Construction Fund, the Bond Fund, the Reserve Instrument Fund and the Rebate Fund shall be maintained in said respective Funds and disbursed along with the other moneys on deposit therein as provided in the Indenture. All income derived from the investment of the Debt Service Reserve Fund shall be disbursed in accordance with "Use of Debt Service Reserve Fund." All moneys in the Revenue Fund may, at the discretion of the Issuer, 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 this Section. The Trustee shall be entitled to assume that any investment, which at the time of purchase is a Qualified Investment, remains a Qualified Investment thereafter, absent receipt of written notice or information to the contrary.

The Trustee may, to the extent permitted by 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.

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

In the event the Issuer shall be advised by nationally recognized municipal bond counsel that it is necessary to restrict or limit the yield on the investment of any moneys paid to or held by the Trustee in order to avoid the Bonds, or any Series thereof, being considered "arbitrage bonds" within the meaning of the Code or the Treasury Regulations proposed or promulgated thereunder, or to otherwise preserve the 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 hereof and shall not be subject to lien or attachment of any creditor of the State or any political subdivision, body, agency, or instrumentality thereof or of the Issuer and shall not be subject to appropriation by any legislative body or otherwise. Such moneys and securities shall be held in trust and applied in accordance with the provisions of the Indenture. Except as provided otherwise in the Indenture, unless and until disbursed pursuant to the terms of the Indenture, all such moneys and securities (and the income therefrom) shall be held by the Trustee as security for payment of the principal of, premium, if any, and interest on the Bonds 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 quarterly, 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 hereby covenants and agrees with each and every Registered Owner of the Bonds issued under the Indenture, Security Instrument Issuer and Reserve Instrument Provider as follows:

(a) While any of the principal of and interest on the Bonds are outstanding and unpaid, or any Repayment Obligations are outstanding, any resolution or other enactment of the Governing Body of the Issuer, applying the Net Revenues for the payment of the Bonds and the Repayment Obligations shall be irrevocable until the Bonds and/or any Repayment Obligations have been paid in full as to both principal and interest, and is not subject to amendment in any manner which would impair the rights of the holders of those Bonds or the Repayment Obligations which would in any way jeopardize the timely payment of principal or interest when due. Furthermore, the rates including connection fees, for all services supplied by the System to the Issuer and to its inhabitants and to all customers within or without the boundaries of the Issuer, shall be sufficient to pay the Operation and Maintenance Expenses for the System, and to provide Net Revenues for each Bond Fund Year of not less than 125% 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 gas or electric 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 paragraph (d) below disclose that during the period covered by such financial statement the Net Revenues and Other Available Funds were not at least equal to the above requirement, the Issuer shall request that a Qualified Engineer make recommendations as to the revision of the rates, charges and fees and that the Issuer on the basis of such recommendations will revise the schedule of rates, charges and fees insofar as is practicable and further revise Operation and Maintenance Costs so as to produce the necessary Net Revenues as required in the Indenture.

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

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

First Lien Bonds; Equality of Liens

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

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

Payment of Principal and Interest

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

Expeditious Construction

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

Management of System

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

Use of Legally Available Moneys

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

Payment of Taxes and Other Charges

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

Insurance

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

Covenant Not to Sell

The Issuer will not sell, lease, mortgage, encumber, or in any manner dispose of the System or any substantial part thereof, including any and all extensions and additions that may be made thereto, until all principal of and interest on the Bonds, and all Repayment Obligations, have been paid in full, and, if required, until the Security Instrument Issuer's prior consent has been obtained, except as follows:

(a) The Issuer may sell any portion of said property (i) which shall have been replaced by other property of at least equal value, (ii) which shall cease to be necessary for the efficient operation of the System and the disposition of which will not, as determined by the governing body of the Issuer, result in a material reduction in Net Revenues in any year; or (iii) the value, as determined by the governing body of the Issuer, of the property to be sold, leased, abandoned, mortgaged, or otherwise disposed of (together with any other property similarly disposed of within the 12 calendar months preceding the proposed disposition) does not exceed 5% of the value of the System assets, as determined by the governing body of the Issuer, provided, however, that in the event of any sale as aforesaid, the proceeds of such sale not needed to acquire other System property shall be paid into the Bond Fund.

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

Billing Procedure

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

Events Of Default; Remedies

Events of Default

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

(a) if payment of any installment of interest on any of the Bonds shall not be made by or on behalf of the Issuer when the same shall become due and payable, or

(b) if payment of the principal of or the redemption premium, if any, on any of the Bonds shall not be made by or on behalf of the Issuer when the same shall become due and payable, either at maturity or by proceedings for redemption in advance of maturity or through failure to fulfill any payment to any fund under the Indenture or otherwise; or

(c) if the Issuer shall for any reason be rendered incapable of fulfilling its obligations under the Indenture; or

(d) if an order or decree shall be entered, with the consent or acquiescence of the Issuer, appointing a receiver or custodian for any of the Revenues of the Issuer, or approving a petition filed against the Issuer seeking reorganization of the Issuer under the federal bankruptcy laws or any other similar law or statute of the United States of America or any state thereof, or if any such order or decree, having been entered without the consent or acquiescence of the Issuer shall not be vacated or discharged or stayed on appeal within 30 days after the entry thereof; or

(e) if any proceeding shall be instituted, with the consent or acquiescence of the Issuer, for the purpose of effecting a composition between the Issuer and its creditors or for the purpose of adjusting the claims of such creditors pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are or may be under any circumstances payable from Revenues; or

(f) if (i) the Issuer is adjudged insolvent by a court of competent jurisdiction, or (ii) an order, judgment or decree be entered by any court of competent jurisdiction appointing, without the consent of the Issuer, a receiver, trustee or custodian of the Issuer or of the whole or any part of the Issuer's property and any of the aforesaid adjudications, orders, judgments or decrees shall not be vacated or set aside or stayed within 60 days from the date of entry thereof; or

(g) if the Issuer shall file a petition or answer seeking reorganization, relief or any arrangement under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof; or

(h) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Issuer or of the whole or any substantial part of the property of the

Issuer, and such custody or control shall not be terminated within 30 days from the date of assumption of such custody or control; or

(i) if the Issuer shall 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 above in this Section, and such Default shall continue for 30 days after written notice specifying such Event of 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 this Section as the Trustee, being advised by counsel, shall deem most expedient in the interest of the Registered Owners and the Security Instrument Issuers.

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

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

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

Right of Registered Owners to Direct Proceedings

Anything in the Indenture to the contrary notwithstanding, unless a Supplemental Indenture provides otherwise, either (i) the Registered Owners of 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 this Section shall, after payment of Trustee's fees and expenses including the fees and expenses of its counsel for the proceedings resulting in the collection of such moneys and of the expenses and liabilities and advances incurred or made by the Trustee, be deposited in the Bond Fund and all moneys so deposited in the Bond Fund shall be applied in the following order:

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

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

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

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

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

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

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amounts of such moneys available for such application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such 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 last sentence of this Section, no Registered Owner of any Bond or Security Instrument Issuer shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust thereof or for the appointment of a receiver or any other remedy under the Indenture, unless an Event of Default has occurred of which the Trustee has been notified or it is deemed to have notice, nor unless also Registered Owners of 25% in aggregate principal amount of the Bonds then Outstanding or Security Instrument Issuers at the time providing Security Instruments which are in full force and effect and are not in default on any payment obligation and which secure not less than 25% in aggregate principal amount of Bonds at the time Outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name, nor unless also they have offered to the Trustee indemnity as provided in the Indenture nor unless the Trustee shall thereafter fail or refuse to exercise the powers granted in the Indenture, or to institute such action, suit or proceeding in its own name or names. Such notification, request and offer of indemnity are declared by the Indenture in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trust of the Indenture, and to any action or cause of action for the enforcement of the Indenture, or for the appointment of a receiver or for any other remedy under the Indenture; it being understood and intended that no one or more Registered Owner of the Bonds or Security Instrument Issuer shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Indenture by its action or to enforce any right under the Indenture except in the manner provided in the Indenture, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of the Registered Owners of all Bonds then Outstanding and all Security Instrument Issuers at the time providing Security Instruments. Nothing contained in the Indenture shall, however, affect or impair the right of any Registered Owner or Security Instrument Issuer to enforce the covenants of the Issuer to pay the principal of, premium, if any, and interest on each of the Bonds issued under the Indenture held by such Registered Owner and Security Instrument Repayment Obligations at the time, place, from the source and in the manner in said Bonds or Security Instrument Repayment Obligations expressed.

Termination of Proceedings

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

Waivers of Events of Default

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

The Trustee

Notice

The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default under the Indenture, except an Event of Default described in paragraphs (a) and (b) under the heading "EVENTS OF DEFAULT; REMEDIES—Events of Default," unless the Trustee shall be specifically notified in writing of such Default by the Issuer, a Security Instrument Issuer or by the Registered Owners of at least 25% in the aggregate principal amount of any Series of the Bonds then Outstanding and all notices or other instruments required to be delivered to the Trustee must, in order to be effective, be delivered at the Principal Corporate Trust Office of the Trustee, and in the absence of such notice so delivered, the Trustee may conclusively assume there is no Event of Default except as aforesaid.

Indemnity

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

Fees, Charges and Expenses of Trustee

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

Notice to Registered Owners if Event of Default Occurs

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

Removal of the Trustee

The Trustee may be removed at any time, by an instrument or concurrent instruments (i) in writing delivered to the Trustee, and signed by the Issuer, unless there exists any Event of Default, or (ii) in writing delivered to the Trustee and the Issuer, and signed by the Registered Owners of a majority in aggregate Principal amount of Bonds then Outstanding if an Event of Default exists; provided that such instrument or instruments concurrently appoint a successor Trustee meeting the qualifications set forth in the Indenture.

Appointment of Successor Trustee; Temporary Trustee

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

Annual Accounting

The Trustee shall prepare an annual accounting for each Bond Fund Year by the end of the month following each such Bond Fund Year showing in reasonable detail all financial transactions relating to the funds and accounts held by the Trustee under the Indenture during the accounting period and the balance in any funds or accounts created by the Indenture as of the beginning and close of such accounting period, and shall mail the same to the Issuer, and to each Reserve Instrument Provider requesting the same. The Trustee shall also make available for inspection by any Registered Owner a copy of said annual accounting (with the names and addresses of Registered Owners receiving payment of debt service on the Bonds deleted therefrom) and shall mail the same if requested in writing to do so by Registered Owners of at least 25% in aggregate principal amount of Bonds then Outstanding to the designee of said Owners specified in said written request at the address designated in the Indenture. On or before the end of the month following each Bond Fund Year, the Trustee shall, upon written request, provide to the Issuer and the Issuer's independent auditor representations as to the accuracy of the facts contained in the financial reports concerning the transactions described in the Indenture that were delivered by the Trustee during the Bond Fund Year just ended.

Trustee's Right to Own and Deal in Bonds

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

Supplemental Indentures

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

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

(a) To provide for the issuance of 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 additional 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 (i) a Supplemental Indenture designating the facilities to comprise the Project, (ii) 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 (iii) 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 above and subject to the terms and provisions contained in this Section, 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 this section 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 immediately preceding paragraph, 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 in the Indenture, 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 hereby 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 set forth above, 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 relating to discharge 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 relating to events of default and remedies to the contrary notwithstanding, if moneys or Direct Obligations have been deposited or set aside with the Trustee pursuant to the Indenture for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment to the provisions of the Indenture shall be made without the consent of the Registered Owner of each Bond affected thereby.

APPENDIX C

GENERAL INFORMATION REGARDING THE CITY AND UTAH COUNTY

THE CITY

Population

Year	City	% Increase
2010	24,000	4.74%
2009	22,914	3.06
2008	22,233	11.78
2007	19,890	14.37
2006	17,391	40.66
2005	12,364	41.14
2004	8,760	12.15
2003	7,811	20.69
2002	6,472	26.60
2001	5,112	71.77
2000	2,976	n/a

(Source: U.S. Census Bureau, Population Division (estimates as of July 1 of the years indicated), except for 2010 figure which is a City estimate.)

Construction Activity

Calendar Year	2010	2009	2008	2007	2006
New Dwelling Units	161	174	92	702	893
New Residential Value ($000)	24,868.9	24,217.6	15,218.1	109,875.0	146,760.3
New Nonresidential Value ($000)	342.5	3,419.7	7,042.7	4,595.1	1,523.8
Additions/Alterations/Repairs, Residential ($000)	376.4	272.2	321.7	86.7	0.0
Additions/Alterations/Repairs, Nonresidential ($000)	0.0	25.0	0.0	0.0	68.7
Total Construction ($000)	25,587.8	27,934.5	22,582.5	114,556.8	148,352.8

(Source: University of Utah Bureau of Economic and Business Research; Utah Construction Information Database.)

Principal Employers in the City (2010)

Employer	Employees	Rank
Alpine School District	313	1
Eagle Mountain City	122	2
Ranches Academy	50	3
Rockwell High School	40	4
Direct Communications	24	5
Village Pizza	20	6
Ranches Golf Course	18	7
Great Clips	14	8
Wasatch Deli	13	9
Maverick	12	10
Total	626	

(Source: The City.)

Property Tax Levied and Collections

Fiscal Year Ended June 30,	Tax Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy: Amount	Collected within the Fiscal Year of the Levy: Percentage of Levy	Collections in Subsequent Years	Total Collections to Date: Amount	Total Collections to Date: Percentage of Levy
2010	$937,823	$974,287	103.9%	n/a	$974,287	103.9%
2009	915,972	865,294	94.5	$8,451	873,745	95.4
2008	879,503	863,906	98.2	3,014	866,920	98.6
2007	708,636	749,459	105.8	7,548	757,007	106.8
2006	588,828	590,986	100.4	1,621	592,607	100.6
2005	482,423	518,289	107.4	39,199	557,408	115.5
2004	422,954	293,064	69.3	52,999	346,063	81.8
2003	362,350	201,542	55.6	123,196	324,738	89.6
2002	180,740	142,366	78.8	43,188	185,554	102.7
2001	133,000	107,926	81.1	16,375	124,301	93.5

(Source: The City.)

Assessed Taxable Value and Estimated Fair Market Value of Taxable Property in the City

	Total Taxable Assessed Value	Estimated Fair Market Value	Percentage Change
2010[1]	$694,890,145	$1,263,436,626	2.93%
2009	675,079,313	1,227,416,933	(12.11)
2008	768,130,898	1,396,601,633	18.29
2007	649,359,060	1,180,652,836	86.67
2006	347,865,641	632,482,984	22.64
2005	283,657,906	515,741,647	16.64
2004	243,181,871	442,148,856	15.15
2003	211,181,562	383,966,476	12.74
2002	187,319,810	340,581,473	29.13
2001	145,058,105	$263,742,009	n/a

(1) 2010 figures are estimates.
(Source: The City.)

UTAH COUNTY

General

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

Population

Year	County	% Increase	State of Utah
2010	558,219	2.51%	2,830,753
2009	544,538	2.87	2,780,871
2008	529,344	3.18	2,724,685
2007	513,006	6.43	2,662,908
2006	481,994	5.95	2,582,234
2005	454,913	4.79	2,498,863
2004	434,114	6.35	2,438,195
2003	408,185	2.73	2,378,255
2002	397,345	2.52	2,334,425
2001	387,589	4.30	2,290,966
2000	371,606	n/a	2,244,207

(Source: U.S. Census Bureau estimates as of July 1 of the years indicated.)

Rate of Unemployment—Annual Average

Year	County	State of Utah	United States
2010	7.2%	7.7%	9.6%
2009	6.2	6.6	9.3
2008	3.7	3.7	5.8
2007	2.5	2.8	4.6
2006	2.9	3.0	4.6
2005	4.0	4.1	5.1
2004	4.8	5.1	5.5
2003	5.3	5.7	6.0
2002	5.8	5.8	5.8

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

Business And Industry

The following is a list of the largest employers in the County based on 2009 annual averages.

Company	Industry	Employment Range
Brigham Young University	Higher Education (Private)	15,000-19,999
Alpine School District	Public Education	5,000-6,999
Utah Valley Regional Medical Center	Health Care	4,000-4,999
Nebo School District	Public Education	3,000-3,999
State of Utah	State Government	3,000-3,999
Utah Valley University	Higher Education	3,000-3,999
Wal-Mart	Discount Department Store	2,000-3,999
Utah Office Supply	Office Supplies	1,000-1,999
ESG Administration	Service	1,000-1,999
IM Flash Technologies	Electronic Product Mfg	1,000-1,999
Nestles USA	Manufacturing	1,000-1,999
Provo High School	Public Education	1,000-1,999
Utah County	Local Government	1,000-1,999
Bullen and Harris	Office Administrative Services	1,000-1,999
Provo City	Local Government	1,000-1,999
Novell	Software Publisher	1,000-1,999
Macey's	Grocery Store	500-999
Orem City	Local Government	500-999
Smith's	Grocery Store	500-999
APX Alarm Security Solutions	Electrical Contractors	500-999
Central Utah Medical Clinic	Health Care	500-999
Payday Benefits	Employment Services	500-999
Pay America of Utah	Employment Services	500-999
Omniture	Data Processing & Hosting	500-999
My Family.Com	Internet & Web Services	500-999

(Source: Utah Department of Workforce Services; last updated June 2010, based on 2009 average annual employment.)

Economic Indicators of the County

LABOR FORCE	2009(p)	2008	2007	2006	2005
Labor Force	221,313	222,721	222,693	214,583	206,358
Employed	207,498	214,567	217,021	208,241	198,131
Unemployed	13,815	8,154	5,672	6,161	8,227
Rate	*6.20%*	*3.70%*	*2.50%*	*2.90%*	*4.00%*
Non-Farm Jobs	175,387	184,849	186,050	176,813	167,938
% Change Prior Year	*-5.10%*	*-0.60%*	*5.20%*	*5.30%*	*4.80%*
Mining	59	53	55	48	92
Construction	10,737	14,672	17,883	15,515	13,129
Manufacturing	16,315	18,673	19,142	18,319	17,272
Trade/Transportation/Utilities	29,879	31,200	30,926	28,793	26,840
Information	7,735	8,225	8,159	8,102	8,343
Financial Activities	6,307	6,466	6,660	6,318	6,055
Professional/Business Services	21,378	23,189	22,700	21,867	20,708
Education/Health/ Social Services	39,322	38,684	38,087	36,638	34,872
Leisure/Hospitality	13,373	13,956	13,685	13,145	12,945
Other Services	4,140	4,337	4,282	4,120	3,991
Government	26,138	25,394	24,471	23,948	23,691
Total Establishments	12,298	12,620	12,422	12,275	11,435
Total Wages ($Millions)	5,986.10	6,290.40	6,075.80	5,458.00	4,882.70

INCOME AND WAGES	2009(p)	2008	2007	2006	2005
Total Personal Income ($Millions)	$12,231	$12,610.00	$11,121.30	$10,435.70	$9,590.10
Per Capita Income	22,430	23,803	21,668	21,649	21,085
Avg. Family Income from IRS Returns	n/a	59,701	60881	59,749	54,538
Average Monthly Nonfarm Wage	2,844	2,836	2,721	2,572	2,423

SALES AND BUILDING	2009(p)	2008	2007	2006	2005
Gross Taxable Sales ($000s)	6,769,759	7,155,220	6,847,708	6,409,994	5,432,300
Permit Authorized Construction ($000)	509,509	757,504	1,499,277	1,369,824	1,042,802
New Residential Building Permits	1,448	1,415	4,970	5,819	4,728
Residential Build Permit Values ($000)	277,676	284,796	1,037,687	1,074,621	770,583

(p) Preliminary.
(Source: Utah Department of Workforce Services; last updated August 2010.)

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

Upon the issuance of the Series 2011 Bonds, Ballard Spahr LLP, Bond Counsel to the City, proposes to issue its approving opinion in substantially the following form:

We have acted as bond counsel for Eagle Mountain City, Utah (the "Issuer") in connection with the issuance by the Issuer of its $11,085,000 Gas and Electric Revenue Bonds, Series 2011 (the "Series 2011 Bonds"). The Series 2011 Bonds are being issued pursuant to (i) the Local Government Bonding Act, Title 11, Chapter 14, Utah Code Annotated 1953, as amended; (ii) resolutions of the Issuer adopted May 3, 2011 and August 2, 2011 (together, the "Resolution"); and (iii) a General Indenture of Trust dated as of September 1, 2005, as heretofore amended and supplemented (the "General Indenture"), and as further supplemented by a Second Supplemental Indenture of Trust dated as of August 1, 2011 (the "Second Supplemental Indenture" and together with the General Indenture, the "Indenture") between the Issuer and U.S. Bank National Association, as trustee. The Series 2011 Bonds are being issued to (i) finance the costs of improvements to the Issuer's gas and electric system, (ii) acquire a reserve fund surety for deposit to a debt service reserve fund, and (iii) pay costs of issuance of the Series 2011 Bonds.

Our services as bond counsel have been limited to the preparation of the legal proceedings and supporting certificates authorizing the issuance of the Series 2011 Bonds under the applicable laws of the State of Utah and to a review of the transcript of such proceedings and certificates. As to questions of fact material to our opinion, we have relied upon certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation. Our examination has been limited to the foregoing as they exist or are in effect as of the date hereof. 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 Issuer is a political subdivision and body politic of the State of Utah created and validly existing under the laws of the State of Utah.

2. The Indenture has been authorized, executed and delivered by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer.

3. The Indenture creates a valid lien on the Net Revenues (as defined in the Indenture) and other amounts pledged for the security of the Series 2011 Bonds.

4. The Series 2011 Bonds are valid and binding special obligations of the Issuer payable solely from the Net Revenues and other amounts pledged therefor in the Indenture, and the Series 2011 Bonds do not constitute a general obligation indebtedness of the Issuer within the meaning of any State of Utah constitutional provision or statutory limitation, or a charge against the general credit or taxing power of the Issuer.

5. Interest on the Series 2011 Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Series 2011 Bonds, assuming the accuracy of the certifications of the Issuer and continuing compliance by the Issuer with the requirements of the Internal Revenue Code of 1986 (the "Code"). Interest on the Series 2011 Bonds is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax ("AMT"); however, interest on Series 2011 Bonds held by a corporation (other than an S corporation, regulated investment company, or real estate investment trust) may be indirectly subject to federal AMT because of its inclusion in the adjusted current earnings of a corporate holder.

6. Interest on the Series 2011 Bonds is exempt from State of Utah individual income taxes.

In rendering our opinion, we wish to advise you that:

(a) The rights of the holders of the Series 2011 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 laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases;

(b) We express no opinion herein as to the accuracy, adequacy, or completeness of the Official Statement or any other offering material relating to the Series 2011 Bonds; and

(c) Except as set forth above, we express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011 Bonds.

Respectfully submitted,

APPENDIX E

FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Undertaking") is executed and delivered by Eagle Mountain City, Utah (the "City") in connection with the issuance by the City of its $11,085,000 Gas and Electric Revenue Bonds, Series 2011 (the "Bonds"). The Bonds are being issued pursuant to (i) the Local Government Bonding Act, Title 11, Chapter 14, Utah Code Annotated 1953, as amended; (ii) a General Indenture of Trust, dated as of September 1, 2005, as heretofore amended and supplemented (the "General Indenture"), and as further amended and supplemented by a Second Supplemental Indenture of Trust dated as of August 1, 2011 (the "Second Supplemental Indenture" and together with the General Indenture, the "Indenture"), each between the City and U.S. Bank National Association, as trustee (the "Trustee"), (iii) resolutions adopted on May 3, 2011 and August 2, 2011, by the City Council of the City authorizing the Bonds and the Indenture, and (iv) other applicable provisions of law.

The Bonds are being issued for the purposes of (i) financing the costs of improvements to the City's gas and electric facilities, (ii) acquiring a reserve fund surety for deposit to a debt service reserve fund, and (iii) paying certain issuance expenses to be incurred in connection with the issuance and sale of the Series 2011 Bonds. The City covenants and agrees as follows:

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

Section 2. Definitions. In addition to the definitions set forth in the Indenture or parenthetically defined herein, which apply to any capitalized term used in this Disclosure Agreement 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 Agreement.

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board, the address of which is currently 1900 Duke Street, Suite 600, Alexandria, VA 22314; Telephone (703) 797-6600; Fax (703) 797-6700.

"Official Statement" shall mean the Official Statement of the City dated August 12, 2011, relating to the Bonds.

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

"Tax-exempt" shall mean that interest on the Bonds is excludable from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

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 one hundred eighty (180) days after the end of each fiscal year of the City (presently June 30), commencing with the fiscal year ended June 30, 2011, provide or cause to be provided to the MSRB, the Annual Report of the City which is consistent with the requirements of Section 4 of this Disclosure Agreement. 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 Agreement; 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(f).

(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 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 Sections 3(a) and 3(b), the Dissemination Agent shall, in a timely manner, send a notice to the MSRB.

(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 its Annual Report has been provided pursuant to this Disclosure Agreement, 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 accounts. If the City's audited annual financial statements are not available by the time specified in Section 3(a) above, unaudited financial statements will be provided as part of the Annual Report of the City and audited financial statements will be provided when and if available.

(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 headings: "THE SYSTEM—General," "–The Electric System," "–The Gas System," "–Existing and Future Demand of the System," "–Rates," "–Comparable Rates," "–Impact Fees," "–Licenses, Permits and Approvals," "Historical and Pro Forma Debt Service Coverage" (as the same becomes historically available), "–Management's Discussion and Analysis of Revenues," and "FINANCIAL INFORMATION—Outstanding Obligations of the City."

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City, as appropriate or related public entities, which have been submitted to 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, the City shall give or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the 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;

(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, the City shall give or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the 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 Bonds;

(v) Bond calls; or

(vi) Release, substitution or sale of property securing repayment of the Bonds.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event under 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 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 a Listed Event under 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 a timely manner but in no case not more than ten (10) Business Days after the Listed Event.

Section 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the 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 hereby appoints itself as Dissemination Agent under this Disclosure Agreement.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement and any provision of this Disclosure Agreement 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 or 5(a), 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 Bonds, or the type of business conducted;

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

(c) The amendment or waiver either (i) is approved by the Holders of the 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 Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, 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 Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement 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 Agreement. 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 Agreement, the City shall have no obligation under this Disclosure Agreement 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 Agreement, any Bondholder or Beneficial Owner of the 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 Agreement. A default under this Disclosure Agreement shall not be deemed an "event of default" under the

Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with this Disclosure Agreement 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 Agreement, 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 Bonds.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Purchaser and the Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 13. Counterparts. This Disclosure Agreement 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: _______________, 2011.

EAGLE MOUNTAIN CITY, UTAH

(SEAL)

By:____
Mayor

ATTEST:

____
City Recorder

APPENDIX F

PROVISIONS REGARDING BOOK-ENTRY ONLY SYSTEM

DTC will act as securities depository for the Series 2011 Bonds. The Series 2011 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 2011 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC or its agent.

DTC and its Participants. 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 2011 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2011 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 2011 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 2011 Bonds, except in the event that use of the book-entry system for the Series 2011 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2011 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 2011 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2011 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2011 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 2011 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2011 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Series 2011 Bonds may wish to ascertain that the nominee holding the Series 2011 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of the Series 2011 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 2011 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer 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 2011 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 2011 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 Issuer 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 Issuer, 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 Issuer 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 2011 Bonds at any time by giving reasonable notice to the Issuer 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.

APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

ASSURED GUARANTY® MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: $ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer