NEW ISSUE
FULL BOOK ENTRY

RATINGS (INSURED/UNDERLYING)
S&P: AAA (negative outlook)/A+
FITCH: AA (negative outlook)/AA-
See "RATINGS" herein

Subject to compliance by the District with certain covenants, in the opinion of Chapman and Cutler LLP, Bond Counsel, under present law, interest on the Series 2010A Bonds (i) is excludable from gross income of the owners thereof for federal income tax purposes, and (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations. Interest on the Series 2010B Bonds is includible in gross income of the owners thereof for federal income tax purposes. In the opinion of Bond Counsel, under existing laws of the State of Utah, as presently enacted and construed, interest on the Series 2010A Bonds and Series 2010B Bonds is exempt from taxes imposed by the Utah Individual Income Tax Act. See "TAX MATTERS" herein for a more complete discussion.

TIMPANOGOS SPECIAL SERVICE DISTRICT

$11,680,000
TAX-EXEMPT SEWER REVENUE AND REFUNDING BONDS, SERIES 2010A

$49,955,000
TAXABLE SEWER REVENUE BONDS, SERIES 2010B
(BUILD AMERICA BONDS—ISSUER SUBSIDY)

Dated: Date of Original Issuance **Due: June 1, as shown on the inside cover**

The Series 2010A Bonds and the Series 2010B Bonds (collectively, the *"Series 2010 Bonds"*) are issuable as fully-registered bonds and, when initially issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (*"DTC"*), which will act as securities depository for the Series 2010 Bonds. Purchases of Series 2010 Bonds will be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof, through brokers and dealers who are, or who act though, DTC participants. Owners of the Series 2010 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 2010 Bonds. Interest on the Series 2010 Bonds is payable on June 1 and December 1 of each year, commencing December 1, 2010, through Zions First National Bank, as Paying Agent. So long as DTC or its nominee is the registered owner of the Series 2010 Bonds, payments of the principal of, and interest on such Series 2010 Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See "THE SERIES 2010 BONDS—Book-Entry System" herein.

The Series 2010A Bonds are not subject to redemption prior to maturity. The Series 2010B Bonds are subject to redemption prior to maturity, as described herein.

The Series 2010 Bonds are limited obligations of the District, payable solely from certain revenues of the District as described herein. Neither the credit nor the taxing power of the District or the State of Utah or any agency, instrumentality or political subdivision thereof is pledged for the payment of the principal of or interest on the Series 2010 Bonds. The Series 2010 Bonds are not general obligations of the District or the State of Utah or any agency, instrumentality, or political subdivision thereof. The issuance of the Series 2010 Bonds shall not directly, indirectly, or contingently obligate the District 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 2010 Bonds. See "SECURITY FOR THE SERIES 2010 BONDS" herein.

The scheduled payment of principal of and interest on the Series 2010A Bonds maturing on June 1 of the years 2014 through 2017, inclusive, and the Series 2010B Bonds when due will be guaranteed under separate insurance policies to be issued concurrently with the delivery of such Series 2010 Bonds by Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.).

ASSURED GUARANTY®
MUNICIPAL

See Inside Cover for Maturity Schedules

The Series 2010 Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of legality and other matters by Chapman and Cutler LLP, Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the District by Ray Quinney & Nebeker P.C., counsel to the District. Certain legal matters will be passed upon for the Underwriter by Chapman and Cutler LLP in its capacity as Disclosure Counsel to the District. It is expected that the Series 2010 Bonds will be available for delivery, in book-entry form only, through the facilities of DTC on or about February 24, 2010.

This cover page contains information for convenience of reference only. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

George K. Baum & Company

This Official Statement is dated February 18, 2010, and the information contained herein speaks only as of such date.

TIMPANOGOS SPECIAL SERVICE DISTRICT

$11,680,000
TAX-EXEMPT SEWER REVENUE AND REFUNDING BONDS, SERIES 2010A

DUE JUNE 1	PRINCIPAL AMOUNT	INTEREST RATE	YIELD	CUSIP
2011*	$1,000,000	2.00%	0.87%	887440 AR 6
2012*	1,625,000	2.50	1.22	887440 AS 4
2013*	1,690,000	5.00	1.50	887440 AT 2
2014	1,775,000	5.00	1.80	887440 AU 9
2015	1,865,000	4.00	2.20	887440 AV 7
2016	1,825,000	3.00	2.61	887440 AW 5
2017	1,900,000	5.00	2.94	887440 AX 3

* Not insured by the Series 2010A Policy.

$49,955,000
TAXABLE SEWER REVENUE BONDS, SERIES 2010B
(BUILD AMERICA BONDS—ISSUER SUBSIDY)

$15,300,000 Serial Bonds

DUE JUNE 1	PRINCIPAL AMOUNT	INTEREST RATE	YIELD	CUSIP
2018	$1,980,000	4.69%	4.69%	887440 AY 1
2019	2,040,000	4.89	4.89	887440 AZ 8
2020	2,100,000	5.09	5.09	887440 BA 2
2021	2,175,000	5.19	5.19	887440 BB 0
2022	2,250,000	5.34	5.34	887440 BC 8
2023	2,335,000	5.54	5.54	887440 BD 6
2024	2,420,000	5.69	5.69	887440 BE 4

$34,655,000 Term Bonds

$16,870,000 Term Bond due June 1, 2030; Interest Rate 6.50%; Yield 6.50% 887440 BF 1
$17,785,000 Term Bond due June 1, 2035; Interest Rate 6.68%; Yield 6.68% 887440 BG 9

No dealer, broker, salesperson or any other person has been authorized 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 additional information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the securities offered hereby where such offer or solicitation would be unlawful. The information set forth herein has been furnished by the District, Depository Trust Company of New, New York (*"DTC"*), and Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) (*"AGM"*), and includes information obtained from other sources that are believed to be reliable. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or any other person or entity discussed herein since the date hereof.

George K. Baum & Company (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.

AGM makes no representation regarding the Series 2010 Bonds or the advisability of investing in the Series 2010 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 E–SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

The yields at which the Series 2010 Bonds are offered to the public may vary from the initial reoffering yields on the cover 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 2010 Bonds. Such transactions, if commenced, may by discontinued at any time.

The tax advice contained in this Official Statement is not intended or written by the District, its Bond Counsel, or any other tax practitioner to be used, and it cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer. The tax advice contained in this Official Statement was written to support the promotion or marketing of the Series 2010 Bonds. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

The Series 2010 Bonds have not been approved or disapproved by the Securities and Exchange Commission or any state securities agency, nor has the Securities and Exchange Commission or any state securities agency passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

This Official Statement contains "forward-looking statements" within the meaning of the federal securities laws. These forward-looking statements include, among others, statements concerning expectations, beliefs, opinions, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements.

TIMPANOGOS SPECIAL SERVICE DISTRICT
5050 West 6400 North
American Fork, Utah 84003
(801) 756-5231

ADMINISTRATIVE CONTROL BOARD

Tracy Wallace – Chair

Mark Johnson – Vice Chair

Keith Blake	Sherry Kramer
Brian Braithwaite	Spencer Kyle
David Bunker	David Norman
David Cox	Bradley Reneer
Scott Darrington	Craig L. White
Sean Fernandez	

DISTRICT ADMINISTRATION

Jon E. Adams, District Manager

Craig L. White, Treasurer

Danette Smith, Board Secretary

BOND COUNSEL
Chapman and Cutler LLP
201 South Main Street, Suite 2000
Salt Lake City, Utah 84111
(801) 533-0066

TRUSTEE, PAYING AGENT AND REGISTRAR
Zions First National Bank
Corporate Trust Department
One South Main Street, 12th Floor
Salt Lake City, Utah 84133-1109
(801) 844-7561

COUNSEL TO THE DISTRICT
Ray Quinney & Nebeker P.C.
86 North University Avenue, Suite 430
Provo, Utah 84601
(801) 342-2400

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

INDEPENDENT AUDITORS
Squire & Company, PC
1329 South 800 East
Orem, Utah 84097
(801) 225-6900

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OFFICIAL STATEMENT RELATED TO

TIMPANOGOS SPECIAL SERVICE DISTRICT

$11,680,000 **Tax-Exempt Sewer Revenue and Refunding Bonds,** **Series 2010A**	**$49,955,000** **Taxable Sewer Revenue Bonds,** **Series 2010B** **(Build America Bonds—Issuer Subsidy)**

INTRODUCTION

This Official Statement, which includes the cover page and the appendices attached hereto, contains information concerning (a) the Timpanogos Special Service District (the *"District"*) and the District's wastewater collection, treatment and disposal system (the *"System"*), (b) the $11,680,000 aggregate principal amount of the District's Tax-Exempt Sewer Revenue and Refunding Bonds, Series 2010A (the *"Series 2010A Bonds"*) and $49,955,000 aggregate principal amount of Taxable Sewer Revenue Bonds, Series 2010B (Build America Bonds–Issuer Subsidy) (the *"Series 2010B Bonds"* and, collectively with the Series 2010A Bonds, the *"Series 2010 Bonds"*) and the use of the proceeds of the Series 2010 Bonds, (c) Resolution No. 1994-04 Providing for the Issuance of Sewer Revenue Bonds, adopted May 11, 1994, as supplemented and amended (the *"Master Resolution"*), including by Supplemental Resolutions, each adopted February 18, 2010, authorizing the issuance of the respective Series 2010 Bonds (the *"Supplemental Resolutions"* and, collectively with the Master Resolution, the *"Resolution"*), and (d) the security for the Series 2010 Bonds.

The Series 2010 Bonds are issued on a parity with the District's outstanding Sewer Revenue Bonds, Series 2007A (the *"Outstanding Bonds"*) for the purpose of financing the Series 2010 Project (defined below) and refunding all of the District's Sewer Revenue Bonds, Series 1994 (the *"Refunded Bonds"*). See "PURPOSE OF THE SERIES 2010 BONDS."[1] The Outstanding Bonds are currently outstanding in the aggregate principal amount of $27,420,000. Additional bonds may be issued under the Resolution on a parity with the Series 2010 Bonds and the Outstanding Bonds. The Series 2010 Bonds, the Outstanding Bonds, and any other bonds that may be issued from time to time under the Resolution are collectively referred to herein as the *"Bonds."*

All references herein to the Resolution are qualified in their entirety by reference to such document, and references herein to the Series 2010 Bonds are qualified in their entirety by reference to the form thereof and the information with respect thereto included in the Resolution, copies of which may be obtained during the initial offering period from the Underwriter. Descriptions of the Resolution and the Series 2010 Bonds are qualified by reference to

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[1] For purposes of this Official Statement, the Refunded Bonds (defined below) are considered to be no longer outstanding. See "PURPOSE OF THE SERIES 2010 BONDS" and "PLAN OF REFUNDING."

bankruptcy laws affecting the remedies for the enforcement of the rights and security provided in the Resolution and the effect of the exercise of the police power by any entity having jurisdiction.

Capitalized terms not defined herein have the meanings given in APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION.

THE DISTRICT

The Timpanogos Special Service District is a special service district that was established in 1976 by the Board of County Commissioners of Utah County. The District provides wastewater collection, treatment and disposal services, to the cities of Alpine, American Fork, Cedar Hills, Highland, Lehi, Pleasant Grove, and Saratoga Springs, to a portion of the municipalities of Eagle Mountain and Vineyard, and to South Valley Sewer District, in Draper, Utah (*"South Valley"* and, collectively with such cities and other municipalities, the *"Members"*). The District serves a population of approximately 185,000. See "THE DISTRICT" herein.

PURPOSE OF THE SERIES 2010 BONDS

The Series 2010A Bonds are being issued pursuant to the Resolution and the Special Service District Act, Title 17D, Chapter 1, Utah Code (the *"Special Service District Act"*); the Local Government Bonding Act, Chapter 14 of Title 11, Utah Code; the Utah Refunding Bond Act, Chapter 27 of Title 11, Utah Code; and other applicable provisions of the law (collectively, the *"Act"*) in order to refund the Refunded Bonds, finance a portion of the costs of certain improvements (the *"Series 2010 Project"*) to the District's wastewater collection, treatment and disposal system, satisfy a debt service reserve requirement, and pay costs of issuance of the Series 2010A Bonds. The Series 2010B Bonds are being issued pursuant to the Resolution and the Act in order to finance a portion of the costs of the Series 2010 Project, satisfy a debt service reserve requirement, and pay costs of issuance of the Series 2010B Bonds. See "THE SERIES 2010 PROJECT" and "PLAN OF REFUNDING."

SECURITY FOR THE 2010 BONDS

The Series 2010 Bonds are special limited obligations of the District that are payable from, and secured solely by a pledge and assignment of, the Revenues from the System and monies on deposit in the funds and accounts held by the Trustee under the Resolution. The Series 2010 Bonds are on a parity with the Outstanding Bonds and any other Bonds that may be issued from time to time under the Resolution. See "SECURITY FOR THE SERIES 2010 BONDS—Additional Bonds" below. The Revenues of the System are applied to pay Operation and Maintenance Expenses of the System, to the extent needed, before being applied to pay principal of and interest on the Series 2010 Bonds.

The Series 2010 Bonds are not a general obligation of the District, the State of Utah (the *"State"*) or any agency, instrumentality or political subdivision thereof. Neither the full faith

and credit nor the taxing authority of the District, the State or any agency, instrumentality or political subdivision thereof will be assigned or pledged for payment of the Series 2010 Bonds. The District will not mortgage or grant a security interest in any System facilities to secure payment of the Series 2010 Bonds.

BOND INSURANCE

The scheduled payment of principal of and interest on the Series 2010A Bonds maturing on June 1 of the years 2014 through 2017, inclusive, and the Series 2010B Bonds when due will be guaranteed under separate insurance policies to be issued concurrently with the delivery of the Series 2010 Bonds by AGM.

DEBT SERVICE RESERVE

The District has covenanted to maintain in the Debt Service Reserve Account a separate subaccount with respect to the Series 2010A Bonds (the *"Series 2010A Reserve Account"*) in an amount not less than the Debt Service Reserve Requirement for the Series 2010A Bonds (the *"Series 2010A Reserve Requirement"*), which is equal to $1,168,000. The District has covenanted to maintain in the Debt Service Reserve Account a separate subaccount with respect to the Series 2010B Bonds (the *"Series 2010B Reserve Account"* and, collectively with the Series 2010A Reserve Account, the *"Reserve Accounts"*) in an amount not less than the Debt Service Reserve Requirement for the Series 2010B Bonds (the *"Series 2010B Reserve Requirement"* and, collectively with the Series 2010A Reserve Requirement, the *"Series 2010 Reserve Requirements"*), which is equal to $4,995,500. Each Series 2010 Reserve Requirement will initially be satisfied by a debt service reserve insurance policy (collectively, the *"Reserve Policies"*) issued by AGM at the time of issuance of the Series 2010 Bonds. See "SECURITY FOR THE SERIES 2010 BONDS—Debt Service Reserve" herein.

RATE COVENANT

The District covenants and agrees in the Resolution to establish, fix, prescribe and collect rates, charges and fees for the sale or use of System services furnished by the District that are reasonably expected to yield Net Revenues at least equal to the Rate Covenant Requirement for the forthcoming Fiscal Year. See "SECURITY FOR THE SERIES 2010 BONDS—Rate Covenant" herein.

REGISTRATION, DENOMINATIONS, MANNER OF PAYMENT

The Series 2010 Bonds are issuable only as fully-registered bonds and, when initially issued, will be registered in the name of Cede & Co., as nominee for DTC, which will act as securities depository for the Series 2010 Bonds. Purchases of Series 2010 Bonds will be made in book-entry form only, in the principal amount of $5,000 or any whole multiple thereof, through brokers and dealers who are, or who act through, DTC participants. Beneficial owners of the Series 2010 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 2010 Bonds.

Principal of and interest on the Series 2010 Bonds are payable by Zions First National Bank, as Paying Agent, to the registered owners of the Series 2010 Bonds. So long as DTC is the registered owner, it will, in turn, remit such principal and interest to its participants, for subsequent disbursements to the beneficial owners of the Series 2010 Bonds. See "THE SERIES 2010 BONDS—Book-Entry System."

TRANSFER OR EXCHANGE

So long as the book-entry system is in effect, beneficial owners may transfer their interests in the Series 2010 Bonds only through the book-entry system. In the event of a discontinuance of the book-entry system, the Series 2010 Bonds may be transferred or exchanged through a successor securities depository or Series 2010 Bond certificates may be printed and delivered.

TAX MATTERS

Subject to compliance by the District with certain covenants, in the opinion of Bond Counsel, under present law, interest on the Series 2010A Bonds (i) is excludable from gross income of the owners thereof for federal income tax purposes, and (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations.

Interest on the Series 2010B Bonds is includible in gross income for federal income tax purposes.

In the opinion of Bond Counsel, under existing laws of the State, as presently enacted and construed, interest on the Series 2010 Bonds is exempt from taxes imposed by the Utah Individual Income Tax Act.

See "TAX MATTERS."

CONDITIONS OF DELIVERY, ANTICIPATED DATE, MANNER, AND PLACE OF DELIVERY

The Series 2010 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 their legality by Chapman and Cutler LLP, Bond Counsel to the District, and certain other conditions. Certain legal matters will be passed on for the District by Ray Quinney & Nebeker P.C., counsel for the District. Certain legal matters will be passed upon for the Underwriter by Chapman and Cutler LLP in its capacity as Disclosure Counsel to the District. It is expected that the Series 2010 Bonds in book-entry form will be available for delivery through the facilities of DTC on or about February 24, 2010.

CONTINUING DISCLOSURE

The District, for the benefit of the owners and beneficial owners of the Series 2010 Bonds, will agree to provide certain annual information and notice of the occurrence of certain events pursuant to Rule 15c2-12 of the Securities and Exchange Commission. See "CONTINUING DISCLOSURE UNDERTAKING" and "APPENDIX C—PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING."

CONTACT PERSON

As of the date of this Official Statement, the chief contact person for the District concerning the Series 2010 Bonds is:

Jon E. Adams, District Manager
Timpanogos Special Service District
5050 West 6400 North
American Fork, Utah 84003
(801) 756-5231

THE SERIES 2010 BONDS

GENERAL

The Series 2010A Bonds are issued for the purposes of refunding the Refunded Bonds, financing a portion of the cost of acquisition and construction of the Series 2010 Project, satisfying a debt service reserve requirement, and paying costs of issuance of the Series 2010A Bonds. The Series 2010B Bonds are issued for the purposes of financing a portion of the cost of acquisition and construction of the Series 2010 Project, satisfying a debt service reserve requirement, and paying costs of issuance of the Series 2010B Bonds.

The Series 2010 Bonds will be dated the date of their original issuance and will mature on June 1 of the years and in the amounts as set forth on the cover page of this Official Statement.

The Series 2010 Bonds will bear interest from their dated date at the rates set forth on the cover page of this Official Statement. Interest on the Series 2010 Bonds is payable on December 1, 2010, and semiannually thereafter on each June 1 and December 1. Interest on the Series 2010 Bonds will be computed on the basis of a 360-day year comprised of twelve 30-day months. Zions First National Bank, Salt Lake City, Utah is the Trustee, registrar and Paying Agent for the Series 2010 Bonds.

The Series 2010 Bonds will be issued as fully-registered bonds, initially in book-entry form, in the denomination of $5,000 or any whole multiple thereof. So long as the book-entry system is in effect, beneficial owners may transfer their interests in the Series 2010 Bonds through the book-entry system. When the book-entry system is no longer in effect with respect

to the Series 2010 Bonds and when the privilege of exchanging or transferring the Series 2010 Bonds is exercised, the Trustee shall authenticate and deliver a new fully-registered Series 2010 Bond or Bonds duly executed by the District, for a like aggregate principal amount.

The District and the Trustee shall not be required (i) to issue, register the transfer of or exchange any Series 2010 Bond during a period beginning at the opening of business 15 days before the mailing of a notice of redemption of Series 2010 Bonds selected for redemption and ending at the close of business on the day of such mailing, or (ii) to register the transfer of or exchange any Series 2010 Bond so selected for redemption in whole or in part, except the unredeemed portion of Series 2010 Bonds being redeemed in part.

REDEMPTION

Series 2010A Bonds Not Subject to Redemption. The Series 2010A Bonds are not subject to redemption prior to maturity.

Optional Redemption. The Series 2010B Bonds maturing on or prior to June 1, 2020, are not subject to redemption prior to maturity. The Series 2010B Bonds maturing on or after June 1, 2021, are subject to redemption prior to maturity at the option of the District, in whole or in part, from such maturities as shall be determined by the District in its discretion, and within each maturity as selected by the Trustee, on any Business Day on or after June 1, 2020, at a redemption price of 100% of the principal amount of the Series 2010B Bonds to be redeemed, plus accrued interest to the date of redemption.

Mandatory Sinking Fund Redemption. The Series 2010B Bonds maturing on June 1, 2030, are subject to mandatory redemption by operation of Sinking Fund Installments, at a redemption price equal to the principal amount of the Series 2010B Bonds to be redeemed, together with accrued interest to the date of redemption. The amounts and due dates of the Sinking Fund Installments for the Series 2010B Bonds maturing on June 1, 2030, are set forth in the following table:

JUNE 1 OF THE YEAR	AMOUNT
2025	$2,520,000
2026	2,630,000
2027	2,750,000
2028	2,865,000
2029	2,985,000
2030*	3,120,000

* Stated maturity.

The Series 2010B Bonds maturing June 1, 2035 shall be subject to redemption in part by operation of Sinking Fund Installments, upon notice as provided in the Resolution, at a Redemption Price equal to the principal amount of each Series 2010B Bond or portion thereof to

be redeemed, together with accrued interest to the date of redemption. The amounts and due dates of the Sinking Fund Installments for the Series 2010B Bonds maturing on June 1, 2035 are set forth in the following table:

JUNE 1 OF THE YEAR	AMOUNT
2031	$3,255,000
2032	3,400,000
2033	3,550,000
2034	3,710,000
2035*	3,870,000

* Stated maturity.

Notice of Redemption. In the event any of the Series 2010B Bonds are called for redemption, notice thereof identifying the Series 2010B Bonds to be redeemed will be given by the Trustee by mailing a copy of the redemption notice by registered or certified mail not less than 30 nor more than 45 days prior to the date fixed for redemption to the registered owner of each Series 2010B Bond to be redeemed at the address shown on the registration books. Any notice mailed as provided in this paragraph shall be conclusively presumed to have been duly given, whether or not the registered owner receives such notice. All Series 2010B Bonds so called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment at that time.

If at the time of mailing of any notice of redemption there shall not be on deposit with the Trustee moneys sufficient to redeem all the Series 2010B Bonds called for redemption, such notice shall state that such redemption is subject to the deposit of the redemption moneys with the Trustee not later than the redemption date and that such notice shall be of no effect unless such moneys are so deposited.

Selection for Redemption. If less than all Series 2010B Bonds are to be redeemed, the particular maturities of such Series 2010B Bonds to be redeemed and the principal amounts of such maturities to be redeemed shall be selected by the District.

If less than all of the Series 2010B Bonds maturing on any single date are called for redemption, the Trustee shall select the Series 2010B Bonds to be redeemed from the Series 2010B Bonds maturing on that date not previously called for redemption, in such manner as in the Trustee's sole discretion it shall deem appropriate and fair.

BOOK-ENTRY SYSTEM

DTC will act as securities depository for the Series 2010 Bonds. The ownership of one fully-registered Series 2010 Bond for each stated maturity, each in the aggregate principal amount of such stated maturity, will be registered in the name of Cede & Co., as nominee for DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (*"Direct Participants"*) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (*"DTCC"*). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (*"Indirect Participants"* and, collectively with Direct Participants, *"Participants"*). DTC has Standard & Poor's highest rating: AAA. 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** and **www.dtc.org**.

Purchases of the Series 2010 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2010 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2010 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 2010 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2010 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010 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 the Series 2010 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 2010 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2010 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 the Series 2010 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2010 Bonds, such as defaults and proposed amendments to the bond documents. For example, Beneficial Owners of the Series 2010 Bonds may wish to ascertain that the nominee holding the Series 2010 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the bonds within a maturity of bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2010 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 the Series 2010 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

As long as the book-entry system is in effect, payments on the Series 2010 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 detailed information from the District or the Trustee, 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 Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of amounts due on the Series 2010 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2010 Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2010 Bond certificates are required to be printed and delivered to DTC.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2010 Bond certificates will be printed and delivered.

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

DESIGNATION OF 2010B BONDS AS "BUILD AMERICA BONDS"

The District intends to elect to designate the Series 2010B Bonds as "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 (the *"Recovery Act"*) and to receive a cash subsidy from the United States Treasury in connection therewith. Pursuant to the Recovery Act, and subject to compliance by the District of certain covenants, the District will receive cash subsidy payments from the United States Treasury equal to 35% of the interest payable on the Series 2010B Bonds. See "BUILD AMERICA BONDS."

ESTIMATED SOURCES AND USES OF FUNDS

The sources and uses of funds in connection with the issuance of the Series 2010 Bonds are estimated to be as follows:

SOURCES:	SERIES 2010A	SERIES 2010B	TOTAL
Principal Amount of the Bonds	$11,680,000	$49,955,000	$61,635,000
Original Issue Premium	942,362	-	942,362
Transfers from Refunded Bond Funds	305,153	-	305,153
District Equity Contribution	-	274,000	274,000
TOTAL	$12,927,515	$50,229,000	$63,156,515
USES:			
Construction Fund	$11,770,400	$48,956,600	$60,727,000
Refunding of Refunded Bonds	952,533	-	952,533
Costs of Issuance[1]	204,582	1,272,400	1,476,982
TOTAL	$12,927,515	$50,229,000	$63,156,515

[1] Includes underwriter's discount, bond insurance and debt service reserve insurance premiums, financial advisor fees, legal fees, rating agency fees, Trustee and Paying Agent fees, and printing and other miscellaneous costs of issuance. District funds in the amount of $274,000 are being applied to pay a portion of the costs of issuance of the Series 2010B Bonds.

DEBT SERVICE REQUIREMENTS

The following table shows the annual debt service requirements for the Bonds.

		Series 2010A Bonds		Series 2010B Bonds			
Year	Outstanding Bonds	Principal	Interest	Principal	Interest	*less* Expected 35% Federal Interest Subsidy	Total
2010	$ 2,629,350	$ -	$ 352,578	$ -	$ 2,373,109	$ 830,588	$4,524,449
2011	2,638,650	1,000,000	448,225	-	3,084,186	1,079,465	6,091,595
2012	2,655,150	1,625,000	417,913	-	3,084,186	1,079,465	6,702,783
2013	2,639,250	1,690,000	355,350	-	3,084,186	1,079,465	6,689,320
2014	2,646,050	1,775,000	268,725	-	3,084,186	1,079,465	6,694,495
2015	2,651,375	1,865,000	187,050	-	3,084,185	1,079,465	6,708,145
2016	2,649,500	1,825,000	122,375	-	3,084,185	1,079,465	6,601,595
2017	2,653,125	1,900,000	47,500	-	3,084,185	1,079,465	6,605,346
2018	2,656,875	-	-	1,980,000	3,037,755	1,063,215	6,611,415
2019	2,631,250	-	-	2,040,000	2,941,446	1,029,506	6,583,190
2020	2,626,250	-	-	2,100,000	2,838,123	993,343	6,571,030
2021	2,665,000	-	-	2,175,000	2,728,235	954,883	6,613,353
2022	2,657,250	-	-	2,250,000	2,611,720	914,102	6,604,868
2023	2,663,500	-	-	2,335,000	2,486,965	870,438	6,615,028
2024	1,230,000	-	-	2,420,000	2,353,436	823,703	5,179,734
2025	-	-	-	2,520,000	2,202,688	770,941	3,951,747
2026	-	-	-	2,630,000	2,035,313	712,359	3,952,954
2027	-	-	-	2,750,000	1,860,463	651,162	3,959,301
2028	-	-	-	2,865,000	1,677,976	587,291	3,955,685
2029	-	-	-	2,985,000	1,487,851	520,748	3,952,103
2030	-	-	-	3,120,000	1,289,438	451,303	3,958,135
2031	-	-	-	3,255,000	1,079,321	377,762	3,956,559
2032	-	-	-	3,400,000	857,044	299,965	3,957,079
2033	-	-	-	3,550,000	624,914	218,719	3,956,195
2034	-	-	-	3,710,000	382,430	133,851	3,958,579
2035	-	-	-	3,870,000	129,258	45,240	3,954,018
Total	$38,292,575	$11,680,000	$2,199,716	$49,955,000	$56,586,784	$19,805,374	$138,908,701

SECURITY FOR THE SERIES 2010 BONDS

PLEDGE OF THE RESOLUTION

The Series 2010 Bonds are special limited obligations of the District payable from, secured solely by a pledge and assignment of, the Revenues from the System and monies on deposit in the funds and accounts held by the Trustee under the Resolution. Revenues include all income, rents and receipts derived by the District from or attributable to the System, including, principally, treatment fees paid by the District Customers for sewer services, impact fees attributable to the Series 2010 Project, and all other legally available impact fees. Revenues also include the proceeds of any interest subsidy with respect to the Bonds paid by any governmental body or agency, including the federal interest subsidy payments with respect to the Series 2010B Bonds, if any.

The Series 2010 Bonds are on a parity with the Outstanding Bonds and any additional Bonds that may be issued from time to time under the Resolution. See "SECURITY FOR THE SERIES 2010 BONDS—Additional Bonds." Revenues of the System are applied, to the extent necessary, to pay the Operation and Maintenance Costs of the System before being applied to pay principal of and interest on any Bonds.

The Series 2010 Bonds are not a general obligation of the District, the State or any agency, instrumentality or political subdivision thereof. Neither the full faith and credit nor the taxing authority of the District, the State of Utah or any agency, instrumentality or political subdivision thereof will be assigned or pledged for payment of the Series 2010 Bonds. The District will not mortgage or grant a security interest in the System to secure payment of the Series 2010 Bonds.

DEBT SERVICE RESERVE

The Resolution requires that, at the time of issuance of the Series 2010 Bonds, an amount equal to the Series 2010A Reserve Requirement be on deposit in the Series 2010A Reserve Account and that an amount equal to the Series 2010B Reserve Requirement be on deposit in the Series 2010B Reserve Account. The Series 2010A Reserve Requirement is $1,168,000, and the Series 2010B Reserve Requirement is $4,995,500. Each of such Debt Service Reserve Requirements is equal to the least of (i) 10% of the principal amount of the related Series 2010 Bonds, (ii) the maximum annual Debt Service on the related Series 2010 Bonds, and (iii) 125% of the District's average annual Debt Service on the related Series 2010 Bonds, calculated as of the date of original issuance of the Series 2010 Bonds. Each of the Series 2010 Reserve Requirements may be satisfied by the deposit of cash or a Reserve Instrument. Each Series 2010 Reserve Requirement will initially be satisfied by the issuance of a Reserve Policy by AGM in the amount of the applicable Reserve Requirement (the *"Reserve Policy Coverage"*), at the time of issuance of the Series 2010 Bonds.

If on the business day preceding the date on which principal of or interest on the Series 2010A Bonds or the Series 2010B Bonds, as the case may be, is due and payable, the amount in the subaccount established in the related Debt Service Account is less than the amount required to be in such account, the Trustee will apply amounts from the applicable Reserve Account to the extent necessary to eliminate the deficiency. Amounts on deposit in a Reserve Account or any other debt service reserve subaccount may not be used to pay debt service on any Bonds other than the series of Bonds with respect to which such account was established.

The Series 2010 Bonds will only be delivered upon the issuance of the Reserve Policies. The premiums on the Reserve Policies are to be fully paid at or prior to the issuance and delivery of the Series 2010 Bonds.

Each Reserve Policy provide that, upon the later of (i) one business day after the business day on which AGM receives a demand for payment executed by the Trustee certifying that provision for the payment of principal of or interest on the related Series 2010 Bonds when due has not been made or (ii) the interest payment date specified in the demand for payment submitted to AGM, AGM will promptly deposit funds with the Trustee sufficient to enable the Trustee to make such payments due on the related Series 2010 Bonds, but in no event exceeding the applicable Reserve Policy Coverage.

Pursuant to the terms of each Reserve Policy, the Reserve Policy Coverage is automatically reduced to the extent of each payment made by AGM under the terms of the Reserve Policy and the District is required to reimburse AGM for any draws under the Reserve Policy with interest at a market rate. Upon such reimbursement, the Reserve Policy is reinstated to the extent of each principal reimbursement up to but not exceeding the Reserve Policy Coverage. The reimbursement obligation of the District to AGM is subordinate to the District's obligations with respect to the District Bonds.

For information regarding AGM, see "BOND INSURANCE" below.

RATE COVENANT

The District covenants and agrees in the Resolution to establish, fix, prescribe and collect rates, charges and fees for the sale or use of System services furnished by the District which, together with other income, are reasonably expected to yield Net Revenues which are at least equal to the Rate Covenant Requirement for the forthcoming Fiscal Year. "Net Revenues" means, for the applicable period, Revenues, less Operation and Maintenance Costs of the System during such period. The term *"Rate Covenant Requirement"* means (A) an amount of Net Revenues equal to at least (1) 1.10 times the Aggregate Debt Service for the forthcoming Fiscal Year, (2) if a Security Instrument or a Reserve Instrument shall be in effect with respect to any of the Bonds Outstanding, the Repayment Obligations which the District anticipates will be due and payable for such forthcoming Fiscal Year, and (3) sufficient to fund the Debt Service Reserve Account in the time, rate and manner specified in the Resolution, and (B) so long as the Series 2010 Bonds are outstanding, an amount of Net Revenues, exclusive of impact fee revenues, equal to 1.00 times the Aggregate Debt Service for the forthcoming Fiscal Year. For purpose of the calculation in (A), balances held in the Revenue Fund on the last day of each Fiscal Year in

excess of 25% of the amount of the Operation and Maintenance Costs for that Fiscal Year, after payment of all Operation and Maintenance Costs and all deposits required by the Master Resolution to have been made to that date into the Bond Service Account and the Debt Service Reserve Account as described below under "FLOW OF FUNDS" (*"Excess Revenue Fund Balances"*) shall be considered to be Net Revenues.

The District agrees that, if the annual financial statements of the District disclose that during the period covered by such financial statements the Net Revenues were not at least equal to the Rate Covenant Requirement, the District shall request that a Qualified Engineer make recommendations as to the revision of the rates, charges and fees and the District, 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 Net Revenues necessary to satisfy the Rate Covenant Requirement.

ADDITIONAL BONDS

The Resolution permits the issuance of additional Bonds to finance the costs of system projects or to refund any outstanding debt. The District may issue additional Construction Bonds upon receipt by the Trustee of:

(1) A written certificate of the District to the effect that, upon the authentication and delivery of the Bonds of such Series, the District will not be in default in the performance of any of the covenants, conditions, agreements, terms or provisions of the Resolution or of any of the Bonds.

(2) An Accountant's Certificate setting forth (A) for any year within the 24 calendar months next preceding the authentication and delivery of such Series of Bonds, the Net Revenues for such period, and (B) the Aggregate Debt Service during the Year so selected with respect to all Series of Bonds which were then outstanding; and showing that such Net Revenues for such period were at least equal to 1.10 times the Aggregate Debt Service for such period with respect to such Bonds which were then outstanding;

(3) An Engineer's Certificate setting forth the Estimated Net Revenues either:

(A) If the Supplemental Resolution authorizing the Series of Bonds being issued provides for proceeds of such Bonds to be used for capitalized interest on the applicable Project through the Estimated Completion Date, for each of the two Fiscal Years succeeding the latest Estimated Completion Date of the Project, or

(B) If (A) shall not be the case, for the then current Fiscal Year and each succeeding Fiscal Year to and including the second Fiscal Year succeeding the latest Estimated Completion Date of the applicable Project; and

(4) A written certificate of the District showing the Aggregate Debt Service for each of the Fiscal Years set forth in the Engineer's Certificate delivered pursuant to

paragraph (3) above and showing that the Estimated Net Revenues as shown in such Engineer's Certificate for each of such Fiscal Years are not less than 1.10 times the Aggregate Debt Service for each of such Fiscal Years with respect to all Series of Bonds to be Outstanding after the authentication and delivery of such Series of Construction Bonds being issued.

The District may issue Refunding Bonds upon receipt by the Trustee of, among other things, a written certificate of the District stating that the issuance of such Series of Refunding Bonds complies with the requirements of the Resolution and setting forth the Aggregate Debt Service for each Fiscal Year to and including the Fiscal Year next preceding the date of the latest maturity of any Bonds of any Series to be refunded or the Series of Refunding Bonds to be authenticated, whichever is later, (i) with respect to the Bonds of each Series to be refunded and (ii) with respect to the Series of Refunding Bonds to be authenticated and delivered, and stating that (A) for each such Fiscal Year, the Aggregate Debt Service on the Refunding Bonds of this paragraph is no greater than the Aggregate Debt Service on the refunded Bonds; or (B) for each such Fiscal Year, the Aggregate Debt Service on the Refunding Bonds is no greater than the sum of $100,000 plus the Aggregate Debt Service on the refunded Bonds, if there is also delivered to the Trustee (1) an Accountant's Certificate for such Series of Bonds to be refunded similar to the Accountant's Certificate described above in this section with respect to the issuance of additional Construction Bonds, (2) an Engineer's Certificate setting forth the Estimated Net Revenues for the then current Fiscal Year and each succeeding Fiscal Year to and including the Fiscal Year during which the latest maturity date for such Series of Refunding Bonds occurs, and (3) a written certificate of the District showing the Aggregate Debt Service for each of the Fiscal Years to and including the second Fiscal Year succeeding the issuance of the Refunding Bonds and showing that the Estimated Net Revenues as shown in such Engineer's Certificate for each of such Fiscal Years are not less than 1.10 times the Aggregate Debt Service for the then current Fiscal Year and each succeeding Fiscal Year to and including the Fiscal Year during which the latest maturity date for such Series of Refunding Bonds occurs;

Any additional Bonds will rank equally as to security and payment with the Series 2010 Bonds.

FLOW OF FUNDS

All Revenues of the System received by the District are required to be deposited promptly into its Revenue Fund. Amounts in the Revenue Fund are to be first applied to provide for payment of System Operation and Maintenance Costs.

Amounts remaining in the Revenue Fund after provision for payment of operation and maintenance expenses are required to be transferred as follows on or before the last business day of each month:

first, to each of the series subaccounts in the Debt Service Account, the amount necessary to cause the balance in each such subaccount to equal the accrued debt service on the series of Bonds or other obligation for which such subaccount was established;

second, to each of the series subaccounts in the Debt Service Reserve Fund, the amount necessary to cause the balance in each such subaccount to equal the debt service reserve requirement for the series of Bonds for which such subaccount was established; and

third, to the Reserve Instrument Fund, the amount required to be paid to any Reserve Instrument Issuers to repay amounts drawn under any Reserve Instruments, in order to cause the Reserve Instrument Coverage to equal the Reserve Instrument Limit for any Bonds for which a Reserve Instrument is in effect.

Moneys remaining in the Revenue Fund after the foregoing transfers may be applied by the District, free and clear of the lien of the Resolution, to various purposes specified in the Resolution.

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) (*"AGM"*) will issue its Municipal Bond Insurance Policy (the *"Series 2010A Policy"*) for the Series 2010A Bonds maturing on June 1 of the years 2014 through 2017, inclusive (the *"Series 2010A Insured Bonds"* and, collectively with the Series 2010B Bonds, the *"Insured Bonds"*), and a separate Municipal Bond Insurance Policy (the *"Series 2010B Policy"* and, collectively with the Series 2010A Policy, the *"Policies"*) for the Series 2010B Bonds. Each Policy guarantees the scheduled payment of principal of and interest on the related Insured Bonds when due as set forth in the form of the Policy included as APPENDIX E to this Official Statement.

ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.)

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. (*"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, structured finance and mortgage markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

On July 1, 2009, AGL acquired the financial guaranty operations of Holdings from Dexia S.A. (*"Dexia"*). In connection with such acquisition, Holdings' financial products operations were separated from its financial guaranty operations and retained by Dexia. For more information regarding the acquisition by AGL of the financial guaranty operations of Holdings, see Item 1.01 of the Current Report on Form 8-K filed by AGL with the Securities and Exchange Commission (the "SEC") on July 8, 2009.

Effective November 9, 2009, Financial Security Assurance Inc. changed its name to Assured Guaranty Municipal Corp.

AGM's financial strength is rated "AAA" (negative outlook) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. (*"S&P"*), "Aa3" (negative outlook) by Moody's Investors Service, Inc. (*"Moody's"*) and "AA" (Negative Outlook) by Fitch, Inc. (*"Fitch"*). Each rating of AGM should be evaluated independently. 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. 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 guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Recent Developments–Ratings.

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.

In a press release dated October 12, 2009, Fitch announced that it had downgraded the insurer financial strength rating of Financial Security Assurance Inc. (*"Financial Security"*), now known as AGM, to "AA" (Negative Outlook) from "AA+" (Ratings Watch Negative). Reference is made to the press release, a copy of which is available at www.fitchratings.com, for the complete text of Fitch's comments. AGM and its affiliates are weighing the costs and benefits of continuing to maintain their Fitch insurer financial strength ratings. Fitch has recently changed its policy and no longer provides a rating on AGM-insured bonds unless the issuer has requested a separate rating from Fitch.

On July 1, 2009, S&P published a Research Update in which it affirmed its "AAA" counterparty credit and financial strength ratings on Financial Security, now known as AGM. At the same time, S&P continued its negative outlook on AGM. 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.

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

For more information regarding AGM's financial strength ratings and the risks relating thereto, see Holdings' Annual Report on Form 10-K for the fiscal year ended December 31, 2008, which was filed by Holdings with the SEC on March 19, 2009, Holdings' Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009, which was filed by Holdings with the SEC on May 20, 2009, AGL's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009, which was filed by AGL with the SEC on August 10, 2009, and AGL's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009, which was filed by

AGL with the SEC on November 16, 2009. Effective July 31, 2009, Holdings is no longer subject to the reporting requirements of the Securities and Exchange Act of 1934, as amended (the *"Exchange Act"*).

Capitalization of AGM. At September 30, 2009, AGM's consolidated policyholders' surplus and contingency reserves were approximately $2,365,609,560 and its total net unearned premium reserve was approximately $2,380,470,385 in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference. Portions of the following documents filed by Holdings or 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:

(i) Annual Report of Holdings on Form 10-K for the fiscal year ended December 31, 2008 (which was filed by Holdings with the SEC on March 19, 2009);

(ii) Quarterly Report of Holdings on Form 10-Q for the quarterly period ended March 31, 2009 (which was filed by Holdings with the SEC on May 20, 2009);

(iii) the Current Reports on Form 8-K filed by Holdings with the SEC on May 21, 2009, June 10, 2009, and July 8, 2009;

(iv) Quarterly Report of AGL on Form 10-Q for the quarterly period ended June 30, 2009 (which was filed by AGL with the SEC on August 10, 2009);

(v) the Current Report on Form 8-K filed by AGL with the SEC on July 8, 2009; and

(vi) Quarterly Report of AGL on Form 10-Q for the quarterly period ended September 30, 2009 (which was filed by AGL with the SEC on November 16, 2009).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a), 13(c), 14 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 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 Holdings' website at http://www.fsa.com, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.): 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–Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.)" 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 Bonds or the advisability of investing in the 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."

THE SERIES 2010 PROJECT

A portion of the Series 2010 Bonds are being issued to finance a portion of the costs of the Series 2010 Project. The Series 2010 Project includes a 12 million-gallons-per-day (*"MGD"*) expansion of the District's existing treatment facilities; the acquisition and construction of a head-works building with flow measurement, screening, and grit removal facilities; the acquisition and construction of an influent pump station; the conversion of eight existing oxidation ditches into bioreactors with partition walls, submerged mixers, submersible pumps, and diffused aeration; the acquisition and construction of two blower buildings, two secondary clarifiers, and a return activated sludge (RAS) pump station; modification of existing RAS pump stations; acquisition and construction of a low-pressure, high-output ultraviolet light disinfection system; rehabilitation of a utility water pump station; acquisition and construction of a solids dewatering building with a dry polymer system, pumps, belt filter presses, and conveyor systems; acquisition and construction of a maintenance building with offices, locker rooms, service bays, and wash bays; acquisition and construction of an electrical building with emergency generators; and related facilities.

The total cost of the Series 2010 Project is estimated to be approximately $91 million, approximately $28.6 million of which was financed by the Outstanding Bonds and approximately $58 million of which will be financed by the Series 2010 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS." The District expects to fund the remaining costs of the project with existing reserves, impact fees, and operating revenues. The Series 2010 project represents a substantial portion of the facilities that comprise the District's $100 million capital facilities plan (the *"Capital Facilities Plan"*). See "WASTEWATER COLLECTION AND TREATMENT SYSTEM–Capital Facilities Plan" below.

The District solicited bids for, and has awarded, the construction contracts for the Series 2010 Project. The District has awarded the construction contract for the treatment plant expansion, which represents the largest portion of the Series 2010 Project, to MMC Inc. of Las Vegas. The construction contract for the treatment plant expansion establishes a guaranteed maximum price of approximately $61 million (exclusive of change orders initiated by the District). The District has also entered into construction contracts with guaranteed maximum prices with respect to the other components of the Series 2010 Project. Construction of the Series 2010 Project is expected to commence in the first quarter of 2010 and to be completed by January 2013.

PLAN OF REFUNDING

A portion of the proceeds of the Series 2010A Bonds will be used to refund all of the District's Refunded Bonds, which are outstanding in the principal amount of $950,000. The Refunded Bonds will be redeemed on or about February 24, 2010. The redemption price of the Refunded Bonds is equal to 100% of the principal amount thereof, plus accrued interest.

THE DISTRICT

GENERAL

The Timpanogos Special Service District is a special service district, organized and existing under the provisions of the Special Service District Act. The District was established by the Board of County Commissioners of Utah County (the *"Commission"*) on September 29, 1976.

The District provides wastewater collection, treatment and disposal services to the cities of Alpine, American Fork, Cedar Hills, Highland, Lehi, Pleasant Grove, and Saratoga Springs, a portion of the municipalities of Eagle Mountain and Vineyard, and a portion of South Valley Sewer District.

The following table shows the historical and projected population serviced by the District's system for the years shown:

YEAR	ALPINE	AMERICAN FORK	CEDAR HILLS	EAGLE MOUNTAIN	HIGHLAND	LEHI	PLEASANT GROVE	SARATOGA SPRINGS	SOUTH VALLEY	TOTAL	PERCENT CHANGE
2030	12,105	42,100	12,552	27,000	22,775	82,487	42,877	70,386	6,307	318,589	11.82%
2025	11,723	39,120	12,424	24,000	22,255	74,727	40,728	54,356	5,582	284,915	13.41%
2020	11,340	36,139	12,295	21,000	21,735	66,967	38,578	38,325	4,856	251,235	15.05%
2015	10,612	32,787	12,016	17,500	19,921	57,261	36,512	28,131	3,629	218,368	18.04%
2010	9,884	29,434	11,737	13,500	18,107	47,555	34,446	17,936	2,400	184,999	14.06%
2007	10,000	26,000	9,746	12,600	15,400	46,000	30,903	10,100	1,444	162,193	12.34%
2006	9,204	25,596	9,072	10,199	14,515	36,021	29,640	9,069	1,066	144,382	5.86%
2005	8,861	25,932	8,397	7,798	13,630	34,673	28,378	8,038	688	136,395	9.37%
2004	8,518	24,892	7,083	7,182	11,100	30,568	27,116	8,250	--	124,709	--

Source: The District's Capital Facilities plan, prepared by Bowen Collins & Associates.

The District is authorized under the Act to exercise powers of eminent domain, to contract, to acquire and construct facilities, to issue revenue bonds with the approval of the Commission in order to finance the cost of such acquisition and construction, and to establish rates and charges that enable the District to operate its facilities.

ORGANIZATION AND ADMINISTRATION

The District is governed by a 13-member Administrative Control Board (the *"Board"*), three members of which are appointed by the Commission and one member of which is appointed by each of the Members,* in each case for four-year terms. The Commission has delegated authority to the Board of the District to exercise all powers of a special service district pursuant to the Act, except the power to (i) levy a tax on the taxable property of the District, (ii) issue bonds, (iii) call or hold an election for the authorization of the tax or bonds, and (iv) levy assessments for improvements in an improvement district. The Commission retains ultimate authority over the District and may revoke the delegation of powers at any time.

The Board is responsible for developing policies and guidelines governing the District. Each member of the Board has one vote. On matters involving the expansion of the areas to be served by the District, the admission of new entities into the area to be served by the District, or the borrowing of money by the District, the affirmative vote of at least two-thirds of the members of the entire Board is required, and such matters must be submitted to the Commission for approval. Any decisions regarding all other matters requiring a vote by the Board require a simple majority vote of the members present at the meeting. The Board has established an Administrative Committee, an Engineering Committee, and a Finance Committee, to which it has appointed certain board members based in part on such members' professional background and expertise.

The following table shows the current members of the Board, the Member or entity represented by such Board member, the date of commencement of service on the Board, and the date of expiration of the Board members' current terms:

BOARD MEMBER	REPRESENTED ENTITY	COMMENCEMENT OF SERVICE ON BOARD	END OF CURRENT TERM
Tracy Wallace	Utah County at Large	February 2006	January 2014
Sherry Kramer	American Fork	February 2010	January 2014
David Bunker	Cedar Hills	January 2004	January 2014
David Norman	Eagle Mountain	October 2007	August 2010
Brian Braithwaite	Highland	February 2008	January 2012
Mark Johnson	Lehi	January 2003	January 2012
Scott Darrington	Pleasant Grove	February 2010	January 2012
Spencer Kyle	Saratoga Springs	October 2005	January 2014
Craig L. White	South Valley	March 2005	March 2013
Keith Blake	Utah County	January 2006	January 2012
David Cox	Utah County	March 2007	January 2014
Bradley Reneer	Alpine	February 2010	February 2014
Sean Fernandez	Vineyard	January 2008	January 2012

* Vineyard is not currently receiving services from the District, and must construct a sewer line that connects with the District's System before receiving such services. The current Treatment Contract between the District and Vineyard allows for annual flows of up to 3 MG.

The daily management activities of the District are conducted by a staff of approximately 25 employees under the direction of a District Manager. The current District Manager is Jon E. Adams.

Jon E. Adams. Mr. Adams has served as District Manager since May, 2008. Prior to coming to the District, Mr. Adams was the Division Manager for Salt Lake City Public Utilities for over 16 years. Mr. Adams has been in the wastewater treatment field since October, 1972, and has served in various appointed positions throughout his career. He was a three-term council member for Brigham City, Utah and graduated from Brigham Young University with a degree in Police Science and a minor in Political Science. He returned to Utah Valley State College and earned a degree in Environmental Science.

MANAGEMENT PRACTICES

Budget Management. A budget is prepared annually by the District's staff and reviewed and approved after public hearings by the Board in early December, in accordance with applicable law. The budget can be amended by the Board as deemed appropriate. The District fully complies with provisions of Utah law that prohibit deficit spending and require balanced budgets, as well as all other provisions of Utah law applicable to the budget process. It is the District's practice to tie its budget revenues and expenditures to both historical trends and projections. The projections are based on projected economic growth, population growth, and other economic projections received from the State and economists in the private sector. See "WASTEWATER COLLECTION AND TREATMENT SYSTEM–Historical and Projected Revenues Available for Debt Service."

Investment Management. The Utah Money Management Act (the *"Money Management Act"*) governs the investment of all public funds held by public treasurers in 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 high-grade corporate securities. It also requires diversification of investments; not more than 5% of an entity's portfolio may be invested with any one issuer. The District is currently complying with all of the provisions of the Money Management Act for all District operating funds.

Financial Controls. All District employees who handle district moneys are bonded. Separation of duties is applied to all key personnel who handle funds to provide adequate safeguards. Regular unaudited financial statements are prepared throughout the year, and audited financial statements are prepared following the end of each year.

Risk Management. The District maintains insurance coverage for general, automobile, personal injury, errors and omissions, employee dishonesty, and malpractice liability of up to $1,000,000 per occurrence through policies administered by the Utah Local Governments Trust. The District also insures its buildings and contents against all insurable risks of direct physical loss or damage with the Utah Local Governments Trust. This all-risk insurance coverage

provides for repair or replacement of damaged property on a replacement cost basis, subject to a deductible of $1,000 per occurrence. The District also maintains a public treasurer's fidelity bond of $500,000 with a private carrier. All District employees are covered for workers' compensation by the Utah Local Governments Trust.

Debt Obligation Management. The District has never failed to pay principal of or interest on any of its financial obligations when due. Debt financing and cash funding decisions generally must be approved by the Finance Committee and then subsequently by the Board. Financing plans generally must be approved by a two-thirds majority vote of the Board.

Pension and OPEB Liabilities. The District does not have any unfunded obligations related to pensions or other post-employment benefits.

Future Debt Plans. The District does not anticipate issuing new money bonds in the next five years.

Rate Stabilization Fund. The District has established a Rate Stabilization Fund and has set its Rate Stabilization Fund minimum limit at $7 million. This amount was determined based on growth within the District, the District's Capital Facilities Plan, outstanding debt, and the District's operating budget. Due to the fact that these factors can change, the District will reassess this amount, as needed.

WASTEWATER COLLECTION AND TREATMENT SYSTEM

The District's wastewater collection, treatment and disposal system consists primarily of an interceptor sewage piping system (the *"Interceptor System"*) and a treatment plant located on the shore of Utah Lake, south of American Fork (the *"Treatment Plant"*). The Interceptor System conveys the wastes from the Members to the Treatment Plant. The Interceptor System consists of interceptors located in Alpine, American Fork, Lehi, Pleasant Grove, and Highland, and 13 metering stations. Each station utilizes a Parshall flume to measure the flow from the individual Members. Flow signals are sent over radio and are automatically displayed and recorded at the plant operations building. The Interceptor System has a remaining life expectancy of approximately 80 years.

The Treatment Plant has a treatment capacity of 18.34 MGD and consists of head-works, oxidation ditches, final clarifiers, u.v. disinfection, a wetlands dechlorination pond, sludge handling and related facilities. The Treatment Plant has sufficient capacity to treat current System flows. The highest average daily flows for any month during the past two years equaled 15.77 MGD, representing 86% of existing capacity, and the District has experience peak daily average flows of approximately 17 MGD or 92% of existing capacity. The District estimates that, without the Treatment Plant expansion to be financed with the Series 2010 Bonds and the Outstanding Bonds, System flows would exceed the existing capacity of the Treatment Plant within three years and that, upon such expansion, the Treatment Plant will have sufficient

capacity to provide wastewater treatment services to the District's Members for at least the next ten years. An operations building houses the offices, main plant controls and laboratory, where the treatment processes–from incoming raw wastewater to final treated wastewater discharge–are continuously monitored. Samples from the various processes and the final discharge are tested on a regular basis in the laboratory, and test results are submitted for review to State authorities.

CONNECTIONS, FLOWS AND LOADINGS

Connections. The following table sets forth the number of service connections of each of the Members as of December 31 of the years shown:

SERVICE CONNECTIONS

YEAR	ALPINE	AMERICAN FORK	CEDAR HILLS	EAGLE MOUNTAIN	HIGHLAND	LEHI	PLEASANT GROVE	SARATOGA SPRINGS	SOUTH VALLEY	TOTAL
2009	3,597	8,599	2,396	3,809	3,193	14,022	9,335	5,125	455	50,531
2008	3,580	8,561	2,373	3,637	3,155	13,652	9,244	4,904	365	49,471
2007	3,563	8,462	2,344	3,573	3,128	13,394	9,132	4,695	361	49,652
2006	3,467	8,337	2,279	3,159	3,034	12,787	8,879	4,377	267	46,586
2005	3,414	7,888	2,156	2,562	2,716	11,187	8,364	3,612	172	42,071

Flows. Inflow into the Treatment Plant originates from two sources–domestic and commercial connections, and infiltration and inflow. While the domestic and commercial flows are dependent upon the connected population, infiltration and inflow flows are produced from leaks in joints, cracks, manholes, etcetera and are dependent upon the season, year, wet or dry cycle, and the condition of the Interceptor System. Most infiltration occurs within each Member's collection system. The Interceptor System experiences minimal infiltration. The following table sets forth the average daily flows to the Treatment Plant for the years shown:

FLOWS (MGD)

YEAR	ALPINE	AMERICAN FORK	CEDAR HILLS	EAGLE MOUNTAIN	HIGHLAND	LEHI	PLEASANT GROVE	SARATOGA SPRINGS	SOUTH VALLEY	TOTAL
2009	0.64	3.73	0.56	0.54	0.92	4.67	2.59	0.85	0.070	14.57
2008	0.56	3.12	0.47	0.50	0.93	4.33	2.51	1.39	0.050	13.86
2007	0.55	3.19	0.46	0.45	0.75	3.92	2.37	0.97	0.039	12.70
2006	0.55	3.46	0.43	0.34	0.73	3.55	2.52	0.52	0.013	12.11
2005	0.53	3.28	0.40	0.32	0.73	3.25	2.48	0.44	0.005	11.44

The following table shows the District's comparative monthly flows for the years shown:

COMPARATIVE FLOWS (MGD)

MONTH	2009	2008
January	13.45	13.04
February	13.96	13.24
March	14.08	13.22
April	14.40	13.11
May	14.97	14.10
June	15.10	14.57
July	14.70	14.83
August	15.77	14.67
September	14.79	15.22
October	14.62	14.76
November	14.35	14.67
December	14.54	14.15
MONTHLY AVERAGE	14.56	14.13

Loadings. Loadings represent the composition of the flows into the Treatment Plant. Loadings include quantities of biochemical oxygen demand (*"BOD"*) and total suspended solids (*"TSS"*) carried by the inflow. The District saw significant increases in BOD beginning in 1990 as loadings and flows grew relative to the District's population. The following tables set forth the loadings into the Treatment Plant as of December 31 of the years shown:

BIOCHEMICAL OXYGEN DEMAND LOADING (LBS/DAY)

YEAR	ALPINE	AMERICAN FORK	CEDAR HILLS	EAGLE MOUNTAIN	HIGHLAND	LEHI	PLEASANT GROVE	SARATOGA SPRINGS	SOUTH VALLEY	TOTAL
2009	1,247	6,429	1,118	1,146	1,844	8,730	4,302	1,522	136	26,474
2008	1,247	6,052	1,027	1,223	2,080	8,696	4,493	2,881	137	27,836
2007	1,119	4,712	865	961	1,408	6,219	3,705	1,775	79	20,843
2006	1,081	4,589	830	695	1,454	6,063	3,572	950	24	19,258
2005	1,103	4,635	796	691	1,434	6,406	3,673	863	7	19,608

Suspended Solids Loading (lbs/day)

YEAR	ALPINE	AMERICAN FORK	CEDAR HILLS	EAGLE MOUNTAIN	HIGHLAND	LEHI	PLEASANT GROVE	SARATOGA SPRINGS	SOUTH VALLEY	TOTAL
2009	1,247	7,132	1,031	1,116	2,057	9,324	4,865	1,618	144	28,534
2008	1,176	6,361	885	1,163	2,117	8,723	4,963	2,900	128	28,416
2007	1,021	4,574	762	1,001	1,498	6,243	4,121	2,180	78	21,478
2006	1,113	4,847	746	763	1,559	6,458	4,716	1,102	22	21,326
2005	1,054	4,270	644	713	1,447	5,949	3,900	907	6	18,890

RATES AND REVENUES

The District currently charges the Members $1.544 per 1,000 gallons of wastewater, including infiltration and inflow, plus $0.121 per pound of BOD and $0.092 per pound of TSS. These rates, which became effective as of July 1, 2009, reflect the first of a two-phase rate increase established by the Board pursuant to a resolution adopted in 2009. Pursuant to such resolution, these rates will increase by an additional 27% as of July 1, 2010.

In addition, each Member must report to the District, at least monthly, the number of equivalent residential connections (*"ERU"*) (an ERU being an average discharge of 400 gallons per day) which have been added to the System by the Member since the last report. The District charges the Members $3,812 for each ERU associated with building permits issued within the boundaries of the Members.

The following table shows the rates charged to the Members by the District for System services for the years shown:

TREATMENT CHARGES AND CONNECTION FEES

YEAR	FLOW PER 1,000 GAL.	BOD PER POUND	TSS PER POUND	IMPACT FEE (PER ERU)
2009*	1.5440	0.1210	0.0920	3,812
2008	1.2250	0.0960	0.0730	3,120
2007	1.2250	0.0960	0.0730	3,120
2006	1.2250	0.0960	0.0730	2,480
2005	1.1780	0.0920	0.0700	2,480

* Rates effective July 1, 2009

Under the Treatment Contracts (defined below), the District is required to review the total annual cost of operation and maintenance and each Member's wastewater contribution on an annual basis and must revise the service charge allocation as necessary (but not less than annually) to assure equity of the service charges assessed to the Members based on actual flows, BOD, and TSS, and to assure that sufficient funds are obtained to adequately operate and maintain the System.

The following table shows the wastewater treatment revenues derived by the District from each of the Members, as a percentage of total revenues, for the years shown. American Fork, Lehi, and Pleasant Grove (the largest entities within the District) accounted for 76% of the District's revenues for 2009.

WASTEWATER TREATMENT REVENUES BY MEMBER

ENTITY	2005	2006	2007	2008	2009
American Fork	27.41%	27.53%	24.50%	22.45%	26.00%
Alpine	4.88	4.69	4.44	4.12	4.00
Cedar Hills	3.51	3.61	3.66	3.38	3.84
Highland	6.56	6.28	6.10	6.86	6.31
Lehi	29.29	29.58	30.58	31.06	32.05
Pleasant Grove	21.44	20.79	18.67	17.85	17.78
Saratoga Springs	3.91	4.44	8.00	10.10	5.83
Eagle Mountain	2.93	2.98	3/73	3.75	3.71
South Valley Sewer	0.06	0.11	0.32	0.42	0.48
Vineyard	0.00	0.00	0.00	0.00	0.00
TOTAL	100.00%	100.00%	100.00%	100.00%	100.00%

The District's service connections consist of 88% residential connections and 12% industrial and commercial connections.

TREATMENT CONTRACTS

The District provides wastewater collection, treatment, and disposal services to the Members pursuant to Sewer Treatment Services Contracts (the *"Treatment Contracts"*). Under the Treatment Contracts, the District charges the Members rates sufficient to provide for the payment of all Operation and Maintenance Costs and debt service costs of the System. The costs are distributed among the Members in proportion to each Member's contribution to the total loading of the treatment facilities, based on factors such as strength (BOD and TSS), volume, and delivery flow rate characteristics.

The Members' obligations under the Treatment Contracts are payable solely from charges collected by the Members from the users of their respective municipal sewage collection systems, and are treated by the Members as an operation and maintenance cost of their respective systems. Each Member has agreed to impose rates and charges on its sewer customers in amounts sufficient to provide for all amounts payable to the District. If a Member defaults in the payment of any amounts due to the District and such default remains uncured for 30 days after such Member's receipt of written notice of such default, the District may cease to provide treatment services until all such delinquencies have been cured.

The term of each of the Treatment Contracts extends to at least 2019, and the District and the Members are currently in the process of amending the Treatment Contracts so that the terms of such contracts extend to at least the date of final maturity of the Series 2010 Bonds and any other Bonds outstanding under the Resolution. The District does not anticipate any difficulty in obtaining such extensions.

WASTEWATER IMPACT FEES

Pursuant to the Capital Facilities Plan, the District charges an impact fee to all new residential and commercial connections that will discharge wastewater into the System. The impact fee is intended to offset the impact of each new connection on the System. The following table shows the impact fees imposed by the District for the years shown:

YEAR	IMPACT FEE PER ERU
As of July 2009	$3,812
December 2006 to July 2009	3,120
Prior to December 2006	2,480

The District is required to place the impact fees into a separate interest bearing account and may expend these funds only on capital improvements and certain other expenditures or to retire debt. The following table shows the District's historical impact fee collections and amounts expended:

YEAR	IMPACT FEE COLLECTIONS	INTEREST EARNED	AMOUNTS EXPENDED	UNUSED BALANCE
2009	$ 2,445,565	$ 274,402	$ -	$2,719,967
2008	3,266,616	247,231	-	3,513,847
2007	8,855,409	709,273	(2,451,892)	7,112,790
2006	11,538,276	1,407,456	(12,945,732)	–
2005	10,057,652	698,633	(10,756,285)	–
2004	8,322,648	112,951	(8,435,599)	–
2003	10,551,178	72,305	(10,623,483)	–
2002	2,473,752	3,944	(2,477,696)	–
TOTAL	$57,511,096	$3,526,195	$(47,690,687)	

REQUIRED PERMITS

In order to operate the System, the District is required to have a Utah Pollutant Discharge Elimination System Permit (the *"UPDES Permit"*). Pursuant to the Federal Water Pollution Control Act, the United States Environmental Protection Agency has delegated the authority to issue National Pollutant Discharge Elimination System permits for facilities in Utah to the State of Utah Department of Environmental Quality's Division of Water Quality (*"DEQ"*), which has issued the UPDES Permit for the System. Such permits are designed to implement and assure compliance with the requirements of the existing permit and the applicable limitations and water quality standards. Violation of the water quality standards set forth in a UPDES Permit may be grounds for injunctive sanctions, criminal and civil penalties, and revocation of the permit. UPDES Permits are issued every five years, and DEQ is currently reviewing the District's permit. DEQ has already approved the plant expansion, and the District does not anticipate any difficulty in obtaining renewal of its UPDES Permit.

The District is in compliance with all regulatory requirements applicable to the System. The District does not foresee any complications that would cause non-compliance in the foreseeable future.

REGULATORY COMPLIANCE

The District is currently in compliance with all laws and regulations applicable to its operations. The District is also in constant communication with state and federal regulatory agencies and is aware of potential changes in laws and regulations applicable to the System. The District continually updates and implements changes to its operations to meet regulations. The District is proactive in anticipating regulatory changes and attempts to stay ahead of expected requirements under both state and federal law.

ODOR CONTROL

The District has taken measures to minimize the odor from the treatment plant. The Series 2010 Project includes the addition of a solids handling building, which will keep most of the odors in a covered setting.

NO AD VALOREM TAXES

The District is not authorized by the Special Service District Act to levy and collect *ad valorem* property taxes without the consent of the Commission and approval by the voters in the District. The District has never imposed, nor sought the authority to impose, *ad valorem* property taxes.

SUMMARY FINANCIAL INFORMATION

The following tables set forth summaries of financial information regarding the System for the years shown. The data set forth on the following table is unaudited and is derived from the District's audited financial statements for the years 2005 through 2008 and unaudited financial statements for 2009.

STATEMENT OF NET ASSETS

	YEAR ENDED DECEMBER 31				
	2008	2007	2006	2005	2004
ASSETS					
CURRENT ASSETS					
Cash and investments	$ 16,278,387	$ 8,719,085	$ 5,180,584	$ 4,637,108	$ 5,604,912
Accounts receivable	1,811,046	2,112,473	1,878,359	2,114,041	1,622,294
Inventory	2,760	2,760	2,760	2,760	2,760
Prepaid expenses	32,975	47,350	39,327	28,449	31,474
Total Current Assets	18,125,168	10,881,668	7,101,030	6,782,358	7,261,440
CAPITAL ASSETS					
Land and easements	2,017,807	2,017,807	2,017,807	2,017,807	2,017,807
Construction in progress	4,452,025	1,759,613	5,394,998	324,728	-
Depreciable, net of accumulated depreciation	46,507,333	47,199,387	41,452,758	42,075,916	42,994,090
Net Capital Assets	52,977,165	50,976,807	48,865,563	44,418,451	45,011,897
OTHER ASSETS					
Deposits	40,000	40,000	40,000	41,981	1,981
Restricted cash and investments	40,648,294	56,600,832	43,949,470	35,625,033	25,673,291
Total Other Assets	40,688,294	56,640,832	43,989,470	35,667,014	25,675,272
Total Assets	$111,790,627	$118,499,307	$99,956,063	$86,867,832	$77,948,609
LIABILITIES					
CURRENT LIABILITIES					
Current portion of bonds payable	$ 1,482,000	$ 1,416,000	$ 2,130,000	$ 1,759,000	$ 1,594,000
Current portion of obligation under capital lease	-	66,000	40,008	38,376	-
Accrued interest	166,658	198,882	195,208	205,659	216,964
Accounts payable	880,271	955,816	1,023,189	123,591	71,566
Construction retention payable	29,848	53,583	-	-	-
Accrued liabilities	219,157	148,045	131,171	128,908	43,413
Total Current Liabilities	2,777,934	2,838,326	3,519,576	2,255,534	1,925,943
LONG-TERM LIABILITIES					
Obligation under capital lease	-	-	66,000	106,009	-
Bonds payable, less current portion	30,234,215	41,825,584	32,366,708	34,345,275	35,952,842
Total Long-Term Liabilities	30,234,215	41,825,584	32,432,708	34,451,284	35,952,842
Total Liabilities	33,012,149	44,663,910	35,952,284	36,706,818	37,878,785
NET ASSETS					
Invested in capital assets, net of related debt	50,750,487	50,301,421	14,262,847	8,314,176	7,465,055
Restricted for debt service and capital improvements	11,158,757	17,250,978	43,949,470	35,625,033	25,673,291
Unrestricted	16,869,234	6,282,998	5,791,462	6,221,796	6,931,478
Total Net Assets	$78,778,478	$73,835,397	$64,003,779	$50,161,005	$40,069,824

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	YEAR ENDED DECEMBER 31				
	2008	2007	2006	2005	2004
OPERATING REVENUES					
Waste water treatment income	$ 8,032,928	$ 7,132,433	$ 6,622,978	$ 6,130,639	$ 5,265,492
Compost sales and green waste fees	400,874	363,375	467,375	335,393	275,763
Miscellaneous revenues	10,368	13,802	17,482	14,456	17,424
TOTAL OPERATING REVENUES	8,444,170	7,509,610	7,107,835	6,480,488	5,558,679
OPERATING EXPENSES					
Personnel	3,018,701	2,329,585	2,061,863	1,865,569	1,654,360
Depreciation and amortization	1,736,206	1,544,177	1,562,587	1,481,191	1,576,202
Repairs and maintenance	492,508	394,608	487,166	617,742	352,846
Solid Waste Disposal	204,139	-	-	-	-
Utilities	752,688	853,407	584,686	579,522	617,933
Compost expense	247,590	186,504	283,810	272,992	233,763
Professional services	249,006	173,715	198,577	223,855	242,541
Chemicals and supplies	130,373	145,828	118,772	151,234	87,347
Insurance	61,420	95,193	54,990	35,518	54,444
Office expense	35,207	36,105	38,547	32,256	34,152
Telephone	24,570	25,097	23,954	20,555	17,291
Vehicle expenses	140,351	68,608	91,467	19,877	27,195
Bad debt expense	9,000	12,000	-	-	-
Laundry	5,662	8,715	7,599	4,527	7,020
TOTAL OPERATING EXPENSES	7,098,421	5,873,542	5,514,018	5,304,838	4,905,094
OPERATING INCOME	1,336,749	1,636,068	1,593,817	1,175,650	653,585
NON-OPERATING REVENUES (EXPENSES)					
Loss on early retirement of bonds	(207,766)	(1,855,054)	-	-	-
Impact fees	3,266,616	8,855,409	11,538,276	10,057,652	8,322,648
Interest income	2,135,549	2,804,647	2,337,113	1,163,250	633,182
Interest expense	(1,588,067)	(1,736,952)	(1,723,333)	(2,306,571)	(1,987,374)
Gain on the sale of assets	-	127,500	96,901	1,200	-
Total non-operating revenues	3,606,332	8,195,550	12,248,957	8,915,531	6,968,456
CHANGE IN NET ASSETS	4,943,081	9,831,618	13,842,774	10,091,181	7,622,041
NET ASSETS AT BEGINNING OF YEAR	73,835,397	64,003,779	50,161,005	40,069,824	32,447,783
NET ASSETS AT END OF YEAR	$78,778,478	$73,835,397	$64,003,779	$50,161,005	$40,069,824

HISTORICAL AND PROJECTED REVENUES AVAILABLE FOR DEBT SERVICE

The following table sets forth the District's historical and projected revenues available for debt service.

	HISTORICAL					PROJECTED				
	2005	2006	2007	2008	2009*	2010 (budget)	2011	2012	2013	2014
Operating Revenues:										
Wastewater Treatment Income	$6,130,639	$6,662,978	$7,132,433	$8,032,928	$9,536,745	$11,651,830	$13,156,908	$13,546,103	$14,070,789	$14,422,559
Compost Sales and Green Waste	335,393	467,375	363,375	400,784	349,658	335,000	335,000	335,000	335,000	335,000
Miscellaneous	14,456	17,482	13,802	10,368	9,251	59,150	18,000	18,000	18,000	18,000
Total	6,480,488	7,107,835	7,509,610	8,444,170	9,895,654	12,045,980	13,509,908	13,899,103	14,423,789	14,775,559
Operating Expenses excluding Depreciation:	3,823,647	3,951,431	4,329,365	5,371,215	5,107,178	5,913,315	6,749,848	7,123,842	7,878,795	8,393,947
Net Operating Revenues	2,656,841	3,156,404	3,180,245	3,072,955	4,788,476	6,132,665	6,760,061	6,775,261	6,544,994	6,381,612
Non-Operating Revenues:										
Impact Fees	10,057,652	11,538,276	8,855,409	3,266,616	2,445,565	1,900,000	2,200,000	2,500,000	2,500,000	2,750,000
Interest Income	1,163,250	2,337,113	2,804,647	2,135,549	615,195	500,000	335,825	484,683	714,945	657,063
Build America Bond subsidy (35%)	–	–	–	–	–	836,785	1,079,465	1,079,465	1,079,465	1,079,465
Gain (Loss) on Disposal of Assets	(1,200)	96,901	127,500	–	–	–	–	–	–	–
Total Non-Operating Revenues	11,219,702	13,972,290	11,787,556	5,402,165	3,060,760	3,236,785	3,615,290	4,064,148	4,294,410	4,486,528
Net Revenues Pledged for Debt Service	13,876,543	17,128,694	14,967,801	8,475,120	7,849,236	9,369,450	10,375,351	10,839,409	10,839,404	10,868,140
Debt Service										
Bonds (Other than Series 2010)	3,524,369	3,603,751	1,660,646	3,126,356	2,859,490	2,843,110	2,638,650	2,655,150	2,639,250	2,646,050
Series 2010A Bonds	–	–	–	–	–	352,579	1,448,225	2,042,913	2,045,350	2,043,725
Series 2010B Bonds	–	–	–	–	–	2,373,109	3,084,186	3,084,186	3,084,186	3,084,186
Total Debt Service	3,524,369	3,603,751	1,660,646	3,126,356	2,859,490	5,568,798	7,171,061	7,782,249	7,768,786	7,773,961
Debt Service Coverage	3.94	4.75	9.01	2.71	2.74	1.68	1.45	1.39	1.40	1.40
Debt Service Coverage (excluding impact fees)	1.08	1.48	3.68	1.67	1.89	1.34	1.14	1.07	1.07	1.04

* Estimated; derived from unaudited financial statements.

CAPITAL FACILITIES PLAN

In October 2008, the District adopted its current Capital Facilities Plan, which outlines the recommended capital projects necessary to maintain the current level of service provided by the District through 2030 as new growth and development activity continue to occur within the District. The Capital Facilities Plan contemplates that the District will construct approximately $100 million of capital facilities through 2015 in order to meet the increasing demands on the System caused by current growth and anticipated population growth during such period. The Capital Facilities Plan consists principally of the approximately $91 million of facilities described under "SERIES 2010 PROJECT." The Capital Facilities Plan also includes approximately $9 million of additional System improvements, consisting principally of an expansion of the District's collection system facilities. The District financed approximately $28.6 million of the Capital Facilities Plan with proceeds of the Outstanding Bonds, is financing approximately $61 million of such facilities with the Series 2010 Bonds, and expects to fund the remaining cost of the Capital Facilities Plan with existing reserves, impact fees, and operating revenues.

INDEPENDENT AUDITORS

The financial statements as of December 31, 2008 and for the year then ended, included in this Official Statement, have been audited by Squire & Company, PC, certified Public Accountants, independent auditors, as stated in their report, dated June 26, 2009, set forth in APPENDIX A to this Official Statement. Squire & Company, PC has not performed any procedures relating to this Official Statement, and has not consented to the use of the financial statements of the District in this Official Statement.

CONTINUING DISCLOSURE UNDERTAKING

The District will enter into a Continuing Disclosure Undertaking (the *"Undertaking"*) for the benefit of the beneficial owners of the Series 2010 Bonds to send certain information annually and to provide notice of certain events to certain information repositories pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the *"Rule"*) adopted by the Securities and Exchange Commission (the *"Commission"*) under the Securities Exchange Act of 1934. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and a summary of other terms of the Undertaking, including termination, amendment and remedies, are set forth in the Undertaking. The proposed form of the Undertaking is attached as APPENDIX C to this Official Statement.

A failure by the District to comply with the Undertaking will not constitute an event of default under the Resolution, and beneficial owners of the Series 2010 Bonds are limited to the remedies described in the Undertaking. See "Consequences of Failure of the District to Provide Information" in APPENDIX C–PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING. A failure by the District to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2010 Bonds in the secondary market.

Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2010 Bonds and their market price.

TAX MATTERS

FEDERAL TAX EXEMPTION OF SERIES 2010A BONDS

Federal tax law contains a number of requirements and restrictions which apply to the Series 2010A Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The District has covenanted to comply with all requirements that must be satisfied in order for the interest on the Series 2010A Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Series 2010A Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2010A Bonds.

Subject to the District's compliance with the above-referenced covenants, under present law, in the opinion of Bond Counsel, interest on the Series 2010A Bonds (i) is excludable from gross income of the owners thereof for federal income tax purposes, and (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but Bond Counsel expresses no opinion as to whether interest on the Series 2010A Bonds is taken into account in computing adjusted current earnings, which is used in determining the federal alternative minimum tax for certain corporations.

The Internal Revenue Code of 1986, as amended (the *"Code"*), includes provisions for an alternative minimum tax (*"AMT"*) for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income (*"AMTI"*), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include all tax-exempt interest, including interest on the Series 2010A Bonds.

Ownership of the Series 2010A Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Series 2010A Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the *"Issue Price"*) for each maturity of the Series 2010A Bonds is the price at which a substantial amount of such maturity of the Series 2010A Bonds is first sold to the public. The Issue Price of a maturity of the Series 2010A Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page hereof.

Owners of Series 2010A Bonds who dispose of Series 2010A Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Series 2010A Bonds in the initial public offering, but at a price different from the Issue Price or purchase Series 2010A Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Series 2010A Bond is purchased at any time for a price that is less than the Series 2010A Bond's stated redemption price at maturity, the purchaser will be treated as having purchased a Series 2010A Bond with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Series 2010A Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Series 2010A Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Series 2010A Bonds.

An investor may purchase a Series 2010A Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Series 2010A Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Series 2010A Bond. Investors who purchase a Series 2010A Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Series 2010A Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Series 2010A Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to herein or adversely affect the market value of the Series 2010A Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Series 2010A Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the *"Service"*) has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Series 2010A Bonds. If an audit is commenced, under current procedures the Service may treat the

District as the taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Series 2010A Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Series 2010A Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Series 2010A Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Series 2010A Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

The Series 2010A Bonds are treated as issued in 2009 or 2010 for purposes of Section 265(b)(7) of the Code relating to interest expense deductibility for financial institutions. The treatment of interest expense for financial institutions owning the Series 2010A Bonds may be more favorable than the treatment provided to owners of tax-exempt bonds issued before January 1, 2010, but may be less favorable than treatment provided to owners of bank qualified bonds. Financial institutions should consult their tax advisors concerning such treatment.

SERIES 2010B BONDS FEDERALLY TAXABLE

Interest on the Series 2010B Bonds is includible in gross income for federal income tax purposes. Holders of the Series 2010B Bonds should consult their tax advisors with respect to the inclusion of interest on the Series 2010B Bonds in gross income for federal income tax purposes and any collateral tax consequences.

STATE TAX EXEMPTION FOR SERIES 2010 BONDS

In the opinion of Bond Counsel, under the existing laws of the State, as presently enacted and construed, interest on the Series 2010 Bonds is exempt from taxes imposed by the Utah Individual Income Tax Act. Bond Counsel expresses no opinion with respect to any other taxes imposed by the State or any political subdivision thereof. Ownership of the Series 2010 Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Series 2010 Bonds. Prospective purchasers of the Series 2010 Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

BUILD AMERICA BONDS

As part of the American Recovery and Reinvestment Act of 2009 (the *"Recovery Act"*), Congress added provisions to the Internal Revenue Code of 1986, as amended (the *"Code"*) that permit state or local governments to obtain certain tax advantages when issuing certain taxable obligations, referred to as *"Build America Bonds."* A Build America Bond must satisfy certain requirements, including that the interest on the Build America Bonds would be, but for the issuer's election to treat such bonds as Build America Bonds, excludable from gross income

under Section 103 of the Code. The District intends to make or has made an irrevocable election to treat the Series 2010B Bonds as Build America Bonds. The District also intends to make or has made an irrevocable election to treat the Series 2010B Bonds as Build America Bonds that are "qualified bonds" as defined in the Code. As a result of these elections, interest on the Series 2010B Bonds will be includible in gross income of the holders thereof for federal income tax purposes and the holders of the Series 2010B Bonds will not be entitled to any tax credits as a result either of ownership of the Series 2010B Bonds or of receipt of any interest payments on the Series 2010B Bonds. Bondholders should consult their tax advisors with respect to the inclusion of interest on the Series 2010B Bonds in gross income for federal income tax purposes.

Federal tax law contains a number of requirements and restrictions that apply to the Series 2010B Bonds in order for them to be Build America Bonds and "qualified bonds," including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The District has covenanted to comply with requirements that must be satisfied in order for the Series 2010B Bonds to be qualified Build America Bonds. Failure to comply with certain of such covenants could cause the Series 2010B Bonds to not be qualified Build America Bonds (and consequently could prevent the allowance of Build America Payments described below) retroactively to the date of issuance of the Series 2010B Bonds.

As a consequence of the Series 2010B Bonds being Build America Bonds and "qualified bonds" under Section 54AA of the Code, the District will be entitled to apply for certain tax credits under Section 6431 of the Code (the *"Build America Payments"*). If for any reason the Bonds cease to be Build America Bonds that are "qualified bonds" under Section 54AA of the Code, the District will not be entitled to receive such Build America Payments.

Under Section 6431 of the Code, the District will apply to receive Build America Payments directly from the Secretary of the U.S. Treasury. The amount of each Build America Payment is set in Section 6431 of the Code at 35 percent of the corresponding interest payable on the related qualified Build America Bond. If received by the District, the Build America Payments will be revenues of the District and are pledged to the payment of the Bonds.

To receive a Build America Payment, under currently existing procedures, the District is required to file a tax return between 90 and 45 days prior to each interest payment date. The procedures provide that the District should expect to receive the Build America Payment within 45 days of filing the return. Depending on the timing of the filing, the Build America Payment may be received before or after the corresponding interest payment.

No assurances are provided that the District will receive Build America Payments. The amount of any Build America Payment is subject to legislative changes by Congress. Also, Build America Payments are subject to offset against certain amounts that may, for unrelated reasons, be owed by the District to an agency of the United States of America.

CIRCULAR 230

This Official Statement contains tax advice written to market the Series 2010B Bonds. This subsection is informing Bondholders of the following as required under Treas. Reg. §10.35, which is contained in the rules of practice before the Internal Revenue Service, commonly known as Circular 230.

The tax advice contained in this Official Statement is not intended or written by the District, its Bond Counsel, or any other tax practitioner to be used, and it cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer. The tax advice contained in this Official Statement was written to support the promotion or marketing of the Series 2010 Bonds. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

The District and its Bond Counsel impose no restrictions or limitations on disclosing the content of this Official Statement or of any details of the structure of the Series 2010 Bonds or on the tax treatment or tax structure of the Series 2010 Bonds and the use of proceeds thereof.

LITIGATION

Ray Quinney & Nebeker P.C., counsel to the District, has advised that, to the best of its knowledge after due inquiry, there is no pending or threatened litigation that would legally enjoin or prohibit the issuance, sale or delivery of the Series 2010 Bonds or have a material adverse effect on the District.

LEGAL MATTERS

All legal matters incident to the authorization and issuance of the Series 2010 Bonds are subject to the approval of Chapman and Cutler LLP, Bond Counsel. Certain legal matters will be passed upon for the District by Ray Quinney & Nebeker P.C., and for the Underwriter by Chapman and Cutler LLP in its capacity as Disclosure Counsel to the District. The form of approving opinion of Bond Counsel is set forth in APPENDIX D hereto.

The various legal opinions to be delivered concurrently with the delivery of the Series 2010 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. The rendering of any such opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

FINANCIAL ADVISOR

Lewis Young Robertson & Burningham, Inc. has been employed as independent financial advisor to the District in connection with the structuring and delivery of the Series 2010 Bonds. The financial advisor has not independently verified any of the information contained in this Official Statement and makes no representation to the owners or Beneficial Owners of the Series 2010 Bonds as to its completeness or accuracy. The financial advisor's fees for services

rendered with respect to the Series 2010 Bonds are contingent upon the delivery of the Series 2010 Bonds.

RATINGS

It is a condition to the delivery of the Series 2010 Bonds that, by virtue of the respective Insurance Policies, the Series 2010 Bonds be rated "AAA" (negative outlook) by S&P and "AA" (negative outlook) by Fitch. See "BOND INSURANCE" above. In addition, S&P has assigned the Series 2010 Bonds the rating of "A+" and Fitch has assigned the Series 2010 Bonds the rating of "AA-", independent of the issuance of the Insurance Policies.

The ratings by such rating agencies of the Series 2010 Bonds 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. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance 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 agencies if, in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of any of such ratings may have an adverse effect on the market price of the Series 2010 Bonds.

UNDERWRITING

George K. Baum & Company (the *"Underwriter"*) has agreed, subject to certain conditions, to purchase all of the Series 2010 Bonds from the District at a price of (i) with respect to the Series 2010A Bonds, $12,555,202 (representing the principal amount of the Series 2010A Bonds, plus original issue premium of $942,362, less underwriter's discount of $67,160) and (ii) with respect to the Series 2010B Bonds, $49,592,826 (representing the principal amount of the Series 2010B Bonds, less an underwriter's discount of $362,174), and to make a public offering of the Series 2010 Bonds. The Underwriter has advised the District that the Series 2010 Bonds may be offered and sold to certain dealers (including dealers depositing the Series 2010 Bonds into investment trusts) at prices lower than the initial offering prices set forth on the cover of this Official Statement and that such public offering prices may be changed from time to time.

MISCELLANEOUS

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.

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

This Official Statement and its distribution and use have been duly authorized by the Board of Trustees of the District.

TIMPANOGOS SPECIAL SERVICE DISTRICT

By /s/ Jon E. Adams
District Manager

APPENDIX A

AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

TIMPANOGOS SPECIAL SERVICE DISTRICT
(A Component Unit of Utah County)

BASIC FINANCIAL STATEMENTS and
Reports in Accordance with *Government Auditing Standards*
and the *State of Utah Legal Compliance Audit Guide*

Years Ended December 31, 2008 and 2007

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INDEPENDENT AUDITOR'S REPORT

Administrative Control Board Chair and Board Members
Timpanogos Special Service District

We have audited the statements of net assets of Timpanogos Special Service District (the District) as of December 31, 2008 and 2007, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of District management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Timpanogos Special Service District as of December 31, 2008 and 2007, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2009 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions 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 important for assessing the results of our audits.

Management's discussion and analysis on pages 2 through 5 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on Timpanogos Special Service District's basic financial statements. The Schedule of Impact Fees on page 19 is presented for additional analysis and is not a required part of the basic financial statements, but is required by Utah state law. The Schedule of Impact Fees has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Squire & Company, PC

June 26, 2009

TIMPANOGOS SPECIAL SERVICE DISTRICT
(A Component Unit of Utah County)
Management's Discussion and Analysis

As management of Timpanogos Special Service District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the years ended December 31, 2008 and 2007. We encourage readers to consider the information presented here in conjunction with the basic financial statements and notes.

Financial Highlights

The assets of the District exceeded its liabilities at the close of the most recent fiscal year by $78.8 million (net assets). Of this amount, $16.9 million (unrestricted net assets) may be used to meet the District's ongoing obligations to participating cities and customers, employees, and creditors.

The District added $3.4 million in construction projects during the year. The District's operating income continues to increase as additional wastewater is being treated. The efficiency of the District's facilities is improving as the additional wastewater being treated is reaching the facility's intended capacity.

The District's total net assets increased by $4.9 million in 2008 and $9.8 million in 2007. Most of the increase in net assets is attributable to impact fees received from new connections during the years.

Overview of the Financial Statements

The financial statements consist of three separate statements, which are similar to a private-sector business. The Statements of Net Assets present information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes in Net Assets present information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected fees charged and earned but unused vacation leave).

The Statements of Cash Flows presents the activities of the District on a cash-received and cash-paid basis. This statement shows how cash was provided and used and reconciles the change in the cash accounts for the District from the prior year to the current year.

Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by $78.8 million at the close of the most recent fiscal year.

The tables on the following page summarize information presented in the financial statements:

Timpanogos Special Service District's NET ASSETS
December 31, 2008, 2007, and 2006

	2008	2007	2006
Current assets	$ 18,125,168	$ 10,881,668	$ 7,101,030
Capital assets	52,977,165	50,976,807	48,865,563
Other assets	40,688,294	56,640,832	43,989,470
Total assets	111,790,627	118,499,307	99,956,063
Current liabilities	2,777,934	2,838,326	3,519,576
Long-term liabilities	30,234,215	41,825,584	32,432,708
Total liabilities	33,012,149	44,663,910	35,952,284
Net assets invested in capital assets, net of related debt	50,750,487	50,301,421	14,262,847
Net assets restricted for debt service and capital improvements	11,158,757	13,967,406	43,949,470
Unrestricted net assets	16,869,234	9,566,570	5,791,462
Net assets	$ 78,778,478	$ 73,835,397	$ 64,003,779

Timpanogos Special Service District's CHANGE IN NET ASSETS
Years Ended December 31, 2008, 2007, and 2006

	2008	2007	2006
Operating revenues	$ 8,444,170	$ 7,509,610	$ 7,107,835
Operating expenses	7,107,421	5,873,542	5,514,018
Operating income	1,336,749	1,636,068	1,593,817
Nonoperating revenues (expenses)	3,606,332	8,195,550	12,248,957
Change in net assets	4,943,081	9,831,618	13,842,774
Net assets, beginning of year	73,835,397	64,003,779	50,161,005
Net assets, end of year	$ 78,778,478	$ 73,835,397	$ 64,003,779

The largest portion of the District's net assets (64 percent at December 31, 2008) reflects its investment in capital assets net of related debt. This amount consists of land and easements, building, wastewater treatment plant, interceptor lines, equipment and fixtures, and unspent bond proceeds less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to participating cities and customers; consequently, these assets are not available for future spending. Although the District's investment in 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 net assets restricted for debt service and capital improvements (14 percent at December 31, 2008) will be used over time to make debt service payments and to pay for capital improvements. The remaining balance of net assets is unrestricted (22 percent at December 31, 2008) may be used to meet the District's ongoing obligations.

In comparison with the prior years, the following items should be noted:

Operating revenues increased by 12.4 percent in 2008 and 5.7 percent in 2007, primarily from growth in the amount of wastewater treated by the District as a result of increased population within the District's service area.

Nonoperating revenues for impact fees totaled $3.3 million during 2008 and $8.9 million during 2007, a decrease of $5.6 million during 2008 and decrease of $2.6 million during 2007. The decrease in 2008 and 2007 was attributable to the slowing of the real-estate market and a drop in new connections.

The change in net assets for 2008 was $4.9 million as compared to a change in net assets of $9.8 million in 2007.

Other assets decreased by $16.0 million during 2008 and increased by $12.7 million during 2007. The decrease in 2008 reflects the retirement of $10 million in variable rate bonds and the use of unspent bond proceeds on construction. The increase in 2007 reflects the unspent bond proceeds from issuing new revenue bonds (restricted cash) and the receipt and investment of unspent impact fees that are restricted for debt service and capital improvements.

Capital Asset and Debt Administration

The District completed construction of $1.3 million of capital assets during 2008 and its construction in progress increased $3.4 million. Additional information on the District's capital assets can be found in Note 4 to the basic financial statements.

At the end of the current fiscal year, the District had total capital-related debt of $31.7 million. Capital-related debt outstanding is comprised of revenue bonds, which are scheduled to be retired by December 2027. Additional information on the District's long-term debt can be found in Notes 5 and 6 to the basic financial statements.

The District issued variable rate bonds with a face value of $10 million during 2007 and then retired the bonds in 2008. As a result, the District reported a loss of $0.2 million on the early retirement of the bonds.

Economic Factors and Next Year's Budgets and Rates

The District prepared its 2009 budget anticipating limited growth in gallons of wastewater treated over the next year based on the severe economic slowdown of the real estate market and the corresponding reduction in new connections added during 2008. Basic wastewater treatment fees and impact fees are expected to increase in 2009. The fee increases are needed to cover additional costs for plant expansion and other projects noted in the Capital Facilities Plan. The additional revenue will also ensure there will be sufficient revenue to cover current and future bond payments.

The District continues to actively pursue economical, innovative methods of treating and processing wastewater.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District Manager, Jon Adams, at P.O. Box 293, American Fork, Utah 84003.

BASIC FINANCIAL STATEMENTS

TIMPANOGOS SPECIAL SERVICE DISTRICT
(A Component Unit of Utah County)
STATEMENTS OF NET ASSETS
December 31, 2008 and 2007

	2008	2007
ASSETS		
Current Assets:		
Cash and investments	$ 16,278,387	$ 8,719,085
Accounts receivable, net	1,811,046	2,112,473
Inventory	2,760	2,760
Prepaid expenses	32,975	47,350
Total current assets	18,125,168	10,881,668
Capital Assets:		
Land and easements	2,017,807	2,017,807
Construction in progress	4,452,025	1,759,613
Depreciable, net of accumulated depreciation	46,507,333	47,199,387
Net capital assets	52,977,165	50,976,807
Other Assets:		
Deposits	40,000	40,000
Restricted cash and investments	40,648,294	56,600,832
Total other assets	40,688,294	56,640,832
Total assets	111,790,627	118,499,307
LIABILITIES		
Current Liabilities:		
Current portion of bonds payable	1,482,000	1,416,000
Current portion of obligation under capital lease	-	66,000
Accrued interest	166,658	198,882
Accounts payable	880,271	955,816
Construction retention payable	29,848	53,583
Accrued liabilities	219,157	148,045
Total current liabilities	2,777,934	2,838,326
Long-Term Liabilities:		
Bonds payable, less current portion	30,234,215	41,825,584
Total liabilities	33,012,149	44,663,910
NET ASSETS		
Invested in capital assets, net of related debt	50,750,487	50,301,421
Restricted for debt service and capital improvements	11,158,757	13,967,406
Unrestricted	16,869,234	9,566,570
Total net assets	$ 78,778,478	$ 73,835,397

The accompanying notes are an integral part of these financial statements.

TIMPANOGOS SPECIAL SERVICE DISTRICT
(A Component Unit of Utah County)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Years Ended December 31, 2008 and 2007

	2008	2007
Operating Revenues:		
Waste water treatment income	$ 8,032,928	$ 7,132,433
Compost sales and green waste fees	400,874	363,375
Miscellaneous revenues	10,368	13,802
Total operating revenues	8,444,170	7,509,610
Operating Expenses:		
Personnel	3,018,701	2,329,585
Depreciation and amortization	1,736,206	1,544,177
Utilities	752,688	853,407
Repairs and maintenance	492,508	394,608
Solid waste disposal	204,139	-
Chemicals and supplies	130,373	145,828
Vehicle expenses	140,351	68,608
Compost expense	247,590	186,504
Professional services	249,006	173,715
Insurance	61,420	95,193
Office expense	35,207	36,105
Telephone	24,570	25,097
Bad debt expense	9,000	12,000
Laundry	5,662	8,715
Total operating expenses	7,107,421	5,873,542
Operating Income	1,336,749	1,636,068
Nonoperating Revenues (Expenses):		
Impact fees	3,266,616	8,855,409
Interest income	2,135,549	2,804,647
Interest expense	(1,588,067)	(1,736,952)
Loss on early retirement of bonds	(207,766)	(1,855,054)
Gain on the sale of capital assets	-	127,500
Total nonoperating revenues (expenses)	3,606,332	8,195,550
Change in Net Assets	4,943,081	9,831,618
Net Assets at Beginning of Year	73,835,397	64,003,779
Net Assets at End of Year	$ 78,778,478	$ 73,835,397

The accompanying notes are an integral part of these financial statements.

TIMPANOGOS SPECIAL SERVICE DISTRICT
(A Component Unit of Utah County)
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2008 and 2007

	2008	2007
Cash Flows from Operating Activities:		
Cash received from customers	$ 8,040,212	$ 6,740,597
Cash paid to suppliers	(2,428,419)	(2,009,593)
Cash paid to employees and for benefits	(2,947,589)	(2,312,711)
Net cash provided by operating activities	2,664,204	2,418,293
Cash Flows from Capital and Related Financing Activities:		
Interest paid	(1,729,660)	(1,806,191)
Impact fees collected	3,963,002	9,378,308
Purchases of capital assets	(3,944,331)	(3,630,182)
Proceeds from the issuance of bonds	-	41,877,496
Cash paid for the defeasance of bonds	-	(34,550,000)
Principal payments on bonds payable	(11,416,000)	(390,000)
Principal payments on capital lease obligation	(66,000)	(40,008)
Proceeds from the sales of capital assets	-	127,500
Net cash provided (used) by capital and related financing activities	(13,192,989)	10,966,923
Cash Flows from Investing Activities:		
Interest received	2,135,549	2,804,647
Net Change in Cash and Cash Equivalents	(8,393,236)	16,189,863
Cash and Cash Equivalents at Beginning of Year	65,319,917	49,130,054
Cash and Cash Equivalents at End of Year (see Note 2)	$ 56,926,681	$ 65,319,917

Supplemental Information:

A reconciliation of operating income to cash flows provided by operating activities follows:

	2008	2007
Operating income	$ 1,336,749	$ 1,636,068
Depreciation and amortization	1,736,206	1,544,177
Changes in operating assets and liabilities:		
Accounts receivable	(394,958)	(757,013)
Prepaid expenses	14,375	(8,023)
Accounts payable	(99,280)	(13,790)
Accrued liabilities	71,112	16,874
Net cash provided by operating activities	$ 2,664,204	$ 2,418,293

There were no noncash financing, capital or investing activities during the years ended December 31, 2008 and 2007.

The accompanying notes are an integral part of these financial statements.

Note 1. Summary of Significant Accounting Policies

The accounting policies of Timpanogos Special Service District (the District) are in compliance with generally accepted accounting principles applicable to local governmental units. The following is a summary of the more significant policies.

The Reporting Entity - Timpanogos Special Service District is organized as a special service district in Utah County. The District's purpose is to provide sewage treatment and disposal services and facilities for participating cities and customers. The District is a component unit of Utah County.

The District accounts for its operations as an enterprise (proprietary-type) fund; activities are financed and operated in a manner similar to private business enterprises where the intent of the Board is that the costs (expenses, including depreciation) of providing goods or services to members and the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting - The financial statements are maintained on the accrual basis of accounting, under which revenues are recognized in the period in which they are earned and become measurable, and expenses are recorded in the period incurred if measurable. The District applies all applicable Financial Accounting Standards Board pronouncements in accounting and reporting its proprietary operations to the extent those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

The District distinguishes operating revenues and expenses from nonoperating items by whether or not transactions are related to the District's daily operations of its wastewater treatment and disposal services and facilities.

Accounts Receivable - Accounts receivable from customers primarily represent assessments to member cities and impact fees collected by member cities. An allowance for doubtful accounts has been established of $21,000 and $12,000 at December 31, 2008 and 2007, respectively.

Inventory - Inventory consists of an estimate of parts and supplies on hand, valued at the lower of cost or market.

Capital Assets - Capital assets are recorded at cost. Capital assets, except land and easements, are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Building	40 years
Wastewater treatment plant	50 years
Interceptor lines	7 to 50 years
Equipment and fixtures	5 to 15 years

Upon the sale or retirement of capital assets, the related asset's cost and accumulated depreciation are removed from the applicable accounts and a gain or loss on disposal is recorded.

Note 1. Summary of Significant Accounting Policies (Continued)

Compensated Absences - Employees are granted vacation and sick leave in amounts varying with tenure. In the event of termination or death, an employee or beneficiary is reimbursed for accumulated vacation days. Employees are also reimbursed for earned but unused sick leave within certain guidelines. Accrued compensated absences totaled $133,757 and $90,235 at December 31, 2008 and 2007, respectively.

Employees who retire with unused sick and vacation time can receive health insurance payments until their sick and vacation accruals are depleted. No employees will qualify for this benefit within the next year and the potential obligation for this benefit is insignificant.

Comparative Data - Comparative data for the prior year have been presented in order to provide an understanding of the changes in financial position and operations. Certain amounts presented in prior year data have been reclassified in order to be consistent with the current year's presentation.

Note 2. Deposits and Investments

The District follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Title 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the depositing of District funds in a "qualified depository" defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The Act authorizes the District to invest in certificates of deposit, U.S. Treasury obligations, U.S. agency issues, high-grade commercial paper, bankers' acceptances, repurchase agreements, certain corporate bonds, State of Utah and local government obligations, and restricted mutual funds as defined by the Act and to invest in the Utah Public Treasurers' Investment Fund (PTIF). The PTIF is not registered with the Securities and Exchange Commission as an investment company and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The operating income, gains, and losses of the PTIF are allocated to each participant based upon each participant's average daily balance.

Deposits - The District's carrying amount of bank deposits at December 31, 2008 is $247,233 and the bank balance is $804,294 ($251,288 of which is covered by federal depository insurance). Uninsured deposits are not collateralized.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal policy for custodial credit risk in regard to the custody of the District's deposits.

Note 2. Deposits and Investments (Continued)

Investments - At December 31, 2008, the District had a balance of $56,679,448 in the PTIF. These investments are unrated and have an average maturity of less than one year.

Credit Risk – Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Utah Money Management Act.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Utah Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy is to follow the Utah Money Management Act and to invest mainly in the PTIF. The District's investment policy does not limit the amount that can be held by counterparties.

At December 31, 2008 and 2007, the District's investment balances were as follows, recorded at fair value:

	2008	2007
Investment in Utah Public Treasurers' Investment Fund not subject to categorization	$ 56,679,448	$ 58,221,977

Total deposits and investments as described above at December 31, 2008 and 2007 are as follows:

	2008	2007
Carrying amount of deposits	$ 247,233	$ 7,097,940
Carrying amount of investments	56,679,448	58,221,977
Total cash and investments	$ 56,926,681	$ 65,319,917

Note 2. Deposits and Investments (Continued)

A recap of cash and investments as shown on the balance sheets at December 31, 2008 and 2007 is as follows:

	2008	2007
Current assets - cash and investments	$ 16,278,387	$ 8,719,085
Other assets - restricted cash and investments	40,648,294	56,600,832
Total cash and investments	$ 56,926,681	$ 65,319,917

In accordance with revenue bond requirements, the District maintains various restricted cash and investment accounts for bond debt service, bond sinking, emergency repairs and replacements, and construction.

The District considers all its cash and investments to be cash and cash equivalents for the purpose of the statements of cash flows.

Note 3. Accounts Receivable

The District had the following accounts receivable at December 31, 2008 and 2007:

	2008	2007
Wastewater receivable	$ 1,671,840	$ 668,432
Compost fees receivable	32,278	16,848
Allowance for uncollectible accounts	(21,000)	(12,000)
Impact fees receivable:		
American Fork	14,274	72,618
Pleasant Grove	63,840	51,386
Lehi	7,974	58,149
Alpine	3,120	6,240
Highland	3,120	12,480
Cedar Hills	-	18,720
Saratoga Springs	43,680	587,840
Eagle Mountain	(11,200)	16,880
South Valley	3,120	-
Overpayment on construction project	-	614,880
Total accounts receivable, net	$ 1,811,046	$ 2,112,473

Note 4. Capital Assets

During the year ended December 31, 2008, the following changes occurred with respect to capital assets:

	Balance at Jan. 1, 2008	Additions	Deletions	Balance at Dec. 31, 2008
Capital assets not being depreciated:				
Land and easements	$ 2,017,807	$ -	$ -	$ 2,017,807
Construction in progress	1,759,613	3,402,527	(710,115)	4,452,025
Capital assets being depreciated:				
Building	1,195,592	-	-	1,195,592
Wastewater treatment plant	46,443,350	-	(215,861)	46,227,489
Interceptor lines	14,857,178	-	-	14,857,178
Equipment and fixtures	3,346,469	1,251,919	(125,084)	4,473,304
Total capital assets being depreciated	65,842,589	1,251,919	(340,945)	66,753,563
Accumulated depreciation for:				
Building	(256,555)	(29,889)	-	(286,444)
Wastewater treatment plant	(11,489,618)	(989,608)	8,094	(12,471,132)
Interceptor lines	(4,062,155)	(301,246)	-	(4,363,401)
Equipment and fixtures	(2,834,874)	(415,463)	125,084	(3,125,253)
Total accumulated depreciation	(18,643,202)	(1,736,206)	133,178	(20,246,230)
Net capital assets being depreciated	47,199,387	(484,287)	(207,767)	46,507,333
Net capital assets	$ 50,976,807	$ 2,918,240	$ (917,882)	$ 52,977,165

Note 4. Capital Assets (Continued)

During the year ended December 31, 2007, the following changes occurred with respect to capital assets:

	Balance at Jan. 1, 2007	Additions	Deletions	Balance at Dec. 31, 2007
Capital assets not being depreciated:				
Land and easements	$ 2,017,807	$ -	$ -	$ 2,017,807
Construction in progress	5,394,998	2,915,468	(6,550,853)	1,759,613
Capital assets being depreciated:				
Building	1,195,592	-	-	1,195,592
Wastewater treatment plant	44,697,074	2,602,106	(855,830)	46,443,350
Interceptor lines	10,908,431	3,948,747	-	14,857,178
Equipment and fixtures	2,834,929	714,716	(203,176)	3,346,469
Total capital assets being depreciated	59,636,026	7,265,569	(1,059,006)	65,842,589
Accumulated depreciation for:				
Building	(226,665)	(29,890)	-	(256,555)
Wastewater treatment plant	(11,385,737)	(959,711)	855,830	(11,489,618)
Interceptor lines	(3,839,885)	(222,270)	-	(4,062,155)
Equipment and fixtures	(2,730,981)	(307,069)	203,176	(2,834,874)
Total accumulated depreciation	(18,183,268)	(1,518,940)	1,059,006	(18,643,202)
Net capital assets being depreciated	41,452,758	5,746,629	-	47,199,387
Net capital assets	$ 48,865,563	$ 8,662,097	$ (6,550,853)	$ 50,976,807

Note 5. Bonds Payable

Revenue Bonds - The District has issued bonds where the District pledges revenues to service the debt. Revenue bonds outstanding are reported net of unamortized deferred bond costs (amortization of deferred bond costs are expensed over the life of the bonds using a straight-line method). Amortization expense totaled $106,895 and $61,978 for the years ended December 31, 2008 and 2007, respectively. These bonds carry interest rates from 4.0 to 6.1 percent.

Note 5. Bonds Payable (Continued)

Bonds payable for the year ended December 31, 2008 is summarized as follows:

	Balance at Jan. 1, 2008	Additions	Deletions	Balance at Dec. 31, 2008	Due Within One Year
Bonds payable:					
Revenue bonds	$ 41,437,000	$ -	$(11,416,000)	$ 30,021,000	$ 1,482,000
Revenue bond premium	1,804,584	-	(109,369)	1,695,215	-
Total bonds payable, net	$ 43,241,584	$ -	$(11,306,631)	$ 31,716,215	$ 1,482,000

Bonds payable for the year ended December 31, 2007 is summarized as follows:

	Balance at Jan. 1, 2007	Additions	Deletions	Balance at Dec. 31, 2007	Due Within One Year
Bonds payable:					
Revenue bonds	$ 36,377,000	$ 40,000,000	$(34,940,000)	$ 41,437,000	$ 1,416,000
Deferred amounts on refunding	(1,880,292)	-	1,880,292	-	-
Revenue bond premium	-	1,877,496	(72,912)	1,804,584	-
Total bonds payable, net	$ 34,496,708	$ 41,877,496	$(32,986,796)	$ 43,241,584	$ 1,416,000

A summary of principal debt requirements to maturity for the years following December 31, 2008 are as follows:

Year Ending December 31,	Principal	Interest	Total
2009	$ 1,482,000	$ 1,387,490	$ 2,869,490
2010	1,529,000	1,314,110	2,843,110
2011	1,600,000	1,251,650	2,851,650
2012	1,683,000	1,186,150	2,869,150
2013	1,735,000	1,117,930	2,852,930
2014-2018	9,342,000	4,341,205	13,683,205
2019-2023	11,450,000	1,793,250	13,243,250
2024	1,200,000	30,000	1,230,000
Total	$ 30,021,000	$ 12,421,785	$ 42,442,785

Note 5. Bonds Payable (Continued)

Defeasance of Debt - On May 15, 1998 the District defeased its 1996A revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on these bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements.

On February 9, 2007, the District defeased its 1998A revenue bonds by placing resources on hand in an irrevocable trust to provide for all future debt service payments on these bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements.

Outstanding bonds of $69,500,000 and $72,555,000 are considered defeased at December 31, 2008 and 2007, respectively.

Note 6. Capital Lease

The District had a capital lease for the purchase of equipment. The following is the capital lease activity for the year ended December 31, 2008:

	Balance at Jan. 1, 2008	Additions	Deletions	Balance at Dec. 31, 2008
Obligation under capital lease	$ 66,000	$ -	$ (66,000)	$ -

The following is the capital lease activity for the year ended December 31, 2007:

	Balance at Jan. 1, 2007	Additions	Deletions	Balance at Dec. 31, 2007
Obligation under capital lease	$ 106,008	$ -	$ (40,008)	$ 66,000

Note 7. Retirement Plans

Defined Benefit Plan - The District contributes to the Local Government Noncontributory Retirement System and the Local Government Contributory Retirement System, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems).

Note 7. Retirement Plans (Continued)

The Systems provides retirement benefits, annual cost of living allowances, and death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by state legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Systems and Plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement 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 Systems and Plans. 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.

In the Local Government Contributory and Noncontributory Retirement Systems, the District is required to contribute a percentage of their annual covered salary (all or part may be paid by the employer). The contribution rates are the actuarially determined rates. The contribution requirements are authorized by statute and approved by the Utah State Retirement Board.

The following is a summary of the required contribution rates, covered salaries, and District contributions to the Systems for the years ended December 31, 2008, 2007, and 2006:

	2008	2007	2006
Required contribution rates:			
Contributory System - Local Government Division			
Paid by employer	7.61%	7.61%	7.58%
Paid by employer for employee	6.00%	6.00%	6.00%
Total	13.61%	13.61%	13.58%
Noncontributory System - Local Government Division	11.62%	11.62%	11.59%
District contributions:			
Contributory System - Local Government Division	$ 10,645	$ 10,133	$ 10,027
Noncontributory System - Local Government Division	207,732	169,121	144,585
Salary subject to retirement contributions:			
Contributory System - Local Government Division	78,217	74,530	75,236
Noncontributory System - Local Government Division	1,787,715	1,457,252	1,274,677

Note 7. Retirement Plans (Continued)

Deferred Compensation Plan - The District participates in a deferred compensation plan—under Internal Revenue Code Section 401(k)—to supplement retirement benefits accrued by participants in the Systems. Employees covered by the Local Government Noncontributory Retirement System have a contribution made by the District to the 401(k) plan. Employer contributions to the 401(k) plan totaled $36,082, $37,581, and $32,074, during the years ended December 31, 2008, 2007, and 2006, respectively. The 401(k) plan funds are fully vested to the participants at the time of deposit. Plan assets are held by the Utah Retirement Systems.

Note 8. Economic Dependency

The District has contracted with its participating cities, exclusively, to receive, treat, and dispose of the participating cities' municipal wastewater. In the event that participating cities, for economic or environmental reasons, were unable to continue using the District's facilities, the District would be susceptible to risk of closure.

Note 9. Risk Management

The District maintains insurance coverage for general, automobile, personal injury, errors and omissions, employee dishonesty, and malpractice liability up to $1,000,000 per occurrence through policies administered by the Utah Local Governments Trust. The District also insures its buildings, including those under construction, and contents against all insurable risks of direct physical loss or damage with the Utah Local Governments Trust. This all-risk insurance coverage provides for repair or replacement of damaged property at a replacement cost basis subject to a deductible of $1,000 per occurrence. Settled claims have not exceeded the District's insurance coverage for any of the past three years.

The District also maintains a public treasurer's fidelity bond of $500,000 with a private carrier. All District employees are covered for workers' compensation by the Utah Local Governments Trust. Unemployment insurance is covered by the District on a pay-as-you-go basis. Claims have been minimal for the past three years.

Note 10. Environmental Remediation Liability

The nature of the District's operations is such that the District may be held liable for environmental clean-up costs. The District is unaware of any such issues and has taken extensive measures to prevent potential environmental problems caused by its activities. The costs of potential remediation are not estimable since no knowledge of environmental problems currently exists. Therefore, no liability has been accrued.

Note 11. Commitments

The District has construction projects in progress with an anticipated cost of $9,051,822. At December 31, 2008, $4,452,024 was spent on these projects leaving an estimated $4,599,798 in additional costs to be incurred in 2009; these projects are financed with impact fees.

SUPPLEMENTARY INFORMATION

TIMPANOGOS SPECIAL SERVICE DISTRICT
(A Component Unit of Utah County)
SCHEDULE OF IMPACT FEES
December 31, 2008

Wastewater Impact Fees

On April 16, 2002, the District adopted a capital facilities plan which included charging an impact fee to all new residential and commercial connections that will discharge wastewater into the wastewater treatment system operated by the Timpanogos Special Service District.

The impact fee is intended to offset the proportionate impact of each new connection on the District to provide wastewater treatment facilities for these new connections.

The impact fee is based on an "Equivalent Residential Unit" (ERU) defined as an average discharge of 400 gallons per day. Each singe-family dwelling is considered to be 1 ERU. Commercial and multi-family dwelling connections are converted to an ERU based on an estimated daily discharge.

The impact fee was amended on November 9, 2006 to increase the impact fee effective December 1, 2006. The impact fees adopted by the District are as follows:

Impact Fee per ERU (prior to December 1, 2006)	$	2,480
Impact Fee per ERU (December 1, 2006 and after)		3,120

The District is required to place these impact fees into a separate interest-bearing account and may expend these funds only on capital improvements, retiring debt, or other expenditures allowed by law. These funds must be be expended within six years from their receipt or be refunded with interest to the payer.

Year	Impact Fee Collections	Interest Earned	Project	Amounts Expended	Unused Balance
2002	$ 2,473,752	$ 3,944	1998 Expansion	$ (2,477,696)	$ -
2003	10,551,178	72,305	1998 Expansion	(10,623,483)	-
2004	8,322,648	112,951	1998 Expansion	(8,435,599)	-
2005	10,057,652	698,633	1998 Expansion	(10,756,285)	-
2006	11,538,276	1,407,456	1998 Expansion	(12,945,732)	-
2007	8,855,409	709,273	1998 and 2007 Expansion	(2,451,892)	7,112,790
2008	3,266,616	247,231	1998 and 2007 Expansion	-	3,513,847
	$ 55,065,531	$ 3,251,793		$ (47,690,687)	$ 10,626,637

REPORTS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* AND THE *STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE*

Year Ended December 31, 2008

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards*

Administrative Control Board Chair and Board Members
Timpanogos Special Service District

We have audited the basic financial statements of Timpanogos Special Service District (the District) as of and for the year ended December 31, 2008, and have issued our report thereon dated June 26, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Audit Adjustments – As a result of our audit, we proposed significant adjustments to the District's accounts. These proposed adjustments included changes to District's bond reserve funds, impact fees receivable, capital assets, accounts payable, accrued payroll, accrued interest, bonds payable, and net asset accounts.

We recommend that the bond reserve funds, impact fees receivable, capital assets, accounts payable, accrued expenses, and bonds payable accounts be reconciled periodically to supporting documentation. Further, we recommend that capital assets be recorded as an asset instead of an expense. The bonds payable account should only be reduced by principal payments, and interest should be recorded as an expense.

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Management's Response – Will make better effort to reconcile all bond reserve funds and various accrued expenses and ensure that capital assets are recorded properly. Also, we will balance accounts payable and attempt to get an accounting from the cities on the impact fees and enforce the impact fee payment policies. The District accountant and general manager will review and code all major bond and capital asset payments including construction in progress payments.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control. We consider the significant deficiencies described above, collectively, to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated June 26, 2009.

The District's response to the findings identified in our audit is described above. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board, management, and oversight agencies and is not intended to be and should not be used by anyone other than these specified parties.

Squire & Company, PC

June 26, 2009

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Independent Auditor's Report on Legal Compliance in Accordance with the *State of Utah Legal Compliance Audit Guide*

Administrative Control Board Chair and Board Members
Timpanogos Special Service District

We have audited the basic financial statements of Timpanogos Special Service District as of and for the year ended December 31, 2008, and have issued our report thereon dated June 26, 2009.

Our audit included test work on the District's compliance with the general compliance requirements identified in the *State of Utah Legal Compliance Audit Guide*, including:

Cash Management	Purchasing Requirements
Budgetary Compliance	Other General Compliance Issues
Special Districts	Public Debt
Impact Fees and Other Development Fees	Utah Retirement System Compliance

The District did not receive any major or nonmajor state grants during the year ended December 31, 2008.

Management of the District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements 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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying letter to management. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Timpanogos Special Service District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2008.

Squire & Company, PC

June 26, 2009

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Letter to Management

June 26, 2009

Administrative Control Board Chair and Board Members
Timpanogos Special Service District

In planning and performing our audit of the basic financial statements of Timpanogos Special Service District for the year ended December 31, 2008, we considered the District's internal control to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on internal control. We also tested the District's compliance with the general compliance requirements identified in the *State of Utah Legal Compliance Audit Guide*.

During our audit we became aware of the following instances of noncompliance with state requirements and matters that are opportunities for strengthening internal control and operating efficiency. This letter does not affect our report dated June 26, 2009, on the basic financial statements of Timpanogos Special Services District. Some of these comments are matters that are repeated from prior-year letters to management.

Waste Water Treatment Fees and Impact Fees – Some cities have not remitted wastewater treatment fees and impact fees promptly to the District and the 12 percent finance charge was not assessed. Periodic reviews of city records and training of city personnel are encouraged. We recommend that the District enforce its current policies regarding late payment to encourage the prompt remittance of waste water treatment and impact fees.

Management's Response – We will review the policy and the finance charges will be assessed in the future.

Revenue Recognition – The District records impact fees as revenues when the funds have been received from the member cities. The District does not have a system of controls in place to ensure the correct amount of revenue is recorded each month. The District's reliance on the member cities is not adequate to properly account for impact fee revenue, including timely deposits into an interest-bearing account and financial reporting. We recommend that the District implement a system to ensure that impact fees are promptly collected, deposited, and recorded in the District's financial software.

Management's Response – The finance committee and the Board will develop a process, with the assistance of the auditors, to ensure that the impact fees are properly accounted for and collected.

Segregation of Duties – The District employee responsible for processing payroll has the ability to change pay rates without authorization or sufficient oversight. We recommend that the District Manager review the rates being used to pay employees to ensure only the authorized pay rates are being used.

Management's Response – We have implemented a control that requires the District manager to approve pay rates during the payroll process to ensure employees are paid the proper amount.

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Account Classification and Budgeting – Some expenses identified during the audit were not classified properly. We recommend that the District implement a system of controls to ensure expenditures are properly classified. Furthermore, we recommend periodically reviewing budget to actual expenditures and that any necessary changes to the budget should be presented and adopted when necessary.

Management's Response – We have updated our chart of accounts which will enable us to better classify expenditures. A procedure has been implemented to review all bills before they are paid to ensure that the account coding is correct. With the new chart of accounts and a review procedure for classifying expenses, we are better able to monitor the budget as required.

Proprietary Fund Accounting – The District is expensing the purchases of capital assets instead of capitalizing them as required by generally accepted accounting principles. We recommend the District properly account for capital purchases following the principles for a proprietary fund.

Management's Response – We have began classifying the purchase of capital assets as capital items on the balance sheet instead of as expenses. The updated chart of accounts and review of bills as discussed previously will help us to classify financial statement items on a GAAP basis.

3-Day Rule – Three of the 25 deposits tested were not deposited within 3 days of receipt as required by State law. We recommend that the District ensure compliance with the 3-day rule by making deposits regularly.

Management's Response – District staff will make sure that deposits are made timely to comply with the 3-day deposit rule.

Conflict of Interest – We recommend that a conflict of interest policy be signed annually by all District personnel and Board members. This would help ensure that those working for the District and making management decisions are acting in the best interest of the District.

Management's Response – A formal conflict of interest policy has been established and it will be signed by all personnel and board members annually.

The status of these comments will be reviewed as part of the next audit. We recommend management establish monitoring policies and procedures to provide the District with reasonable assurance that the District complies with state laws. Monitoring includes ongoing evaluations, recommendations for improvement, timely responses to necessary changes, and periodic reports to management and the Board.

We have already discussed these comments and suggestions with District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in applying these recommendations. We appreciate the assistance of District personnel during the audit.

Sincerely,

Squire & Company, PC

Squire & Company, PC

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following summary is a brief outline of certain provisions contained in the Resolution and is not to be considered as a full statement thereof. Reference is made to the Resolution for full details of the terms of Bonds, the security provisions appertaining thereto and the application of the revenues derived by the District from the operation of its sewer utility system. See also "SECURITY FOR THE SERIES 2010 BONDS" in the body of this Official Statement.

DEFINITIONS

For the purposes of this summary, the following terms shall have the meanings described below.

"Accrued Debt Service" means, as of any date of calculation, the amount of Debt Service that has accrued with respect to any Series of Bonds and any related Security Instrument Repayment Obligation, calculating the Debt Service that has accrued with respect to each Series of Bonds (other than Pledged Bonds) and each related Security Instrument Repayment Obligation as an amount equal to the sum of (1) the interest on the Bonds of such Series and on any related Security Instrument Repayment Obligation that has accrued and is unpaid and that will have accrued by the end of the then current calendar month, and (2) that portion of the next due Principal Installment for the Bonds of such Series (other than Bond Anticipation Notes) and on any related Security Instrument Repayment Obligation that would have accrued (if deemed to accrue in the same manner as interest accrues) by the end of the then current calendar month.

"Act" means, collectively, the Special Service District Act, Chapter 1 of Title 17D, Utah Code Annotated 1953, as amended, the Registered Public Obligations Act, Chapter 7 of Title 15, Utah Code Annotated 1953, as amended, the Local Government Bonding Act, Chapter 14 of Title 11, Utah Code Annotated 1953, as amended, the Utah Refunding Bond Act, Chapter 27 of Title 11, Utah Code Annotated 1953, as amended, and all laws amendatory thereof or supplemental thereto.

"Aggregate Debt Service" means, as of any date of calculation and with respect to any period, the sum of the amounts of Debt Service for all Series of Bonds outstanding, and any Repayment Obligations outstanding for such period.

"Average Aggregate Debt Service" means, as of any date of calculation, the total of the Aggregate Debt Service as computed for each Fiscal Year during which any Bonds are outstanding, or any Repayment Obligations are outstanding, as appropriate, divided by the number of such Fiscal Years.

"Average Debt Service" means, as of any date of calculation and for each Series of Bonds or any related Security Instrument Repayment Obligation, as the case may be, the total of the Debt Service for such Series of Bonds or any related Security Instrument Repayment Obligation as computed for each Fiscal Year during which any of such Bonds are outstanding or any of the Repayment Obligations with respect to such Bonds are outstanding, as appropriate, divided by the number of such Fiscal Years.

"Bond Anticipation Notes" means bonds, notes, interim certificates or other evidences of indebtedness issued by the District in advance of the permanent financing for a Project pursuant to the provisions of the Act.

"Bond Payments" means any amount payable from time to time as Principal Installments, redemption price or purchase price of and interest on the Bonds.

"Bondholder" or *"Holder of Bonds"*, or any similar term, means any person who shall be the registered owner of any Bond or Bonds.

"Bonds" means the bonds, notes or other obligations (other than Repayment Obligations) authorized by and at any time outstanding pursuant to the Resolution, including the Series 2010 Bonds.

"Business Day" means a day of the year which is not a Saturday, Sunday or legal holiday in New York, New York, or a day on which the Trustee, any Depository, any Security Instrument Issuer or any Reserve Instrument Issuer are authorized or required to close.

"Code" means the Internal Revenue Code of 1986, as amended and supplemented from time to time. Each reference to a section of the Code shall be deemed to include the United States Treasury Regulations, including temporary and proposed regulations, relating to such section.

"Completion Date" means the date of substantial completion of Construction of a Project as that date shall be certified as provided in the Resolution.

"Construction Fund" means the Fund by that name established in the Resolution.

"Cost of Construction" means the costs of the District properly attributable to the acquisition of any Project and all expenses preliminary and incidental thereto incurred by the District in connection therewith and in the issuance of the Bonds, including engineering, fiscal underwriting and legal expenses and costs of issuance, printing and advertising for which funds may be disbursed from the Construction Fund and interest during construction, all as described in the Resolution.

"Debt Service" means for any particular Fiscal Year and for any Series of Bonds, for any Security Instrument Repayment Obligations under a Security Instrument Agreement and for any Reserve Instrument Repayment Obligations under a Reserve Instrument Agreement, an amount equal to the sum of (a) all interest (only for purposes of calculating the Debt Service Reserve

Requirement, net of any interest subsidy with respect to Bonds paid or payable to or for the account of the District by any governmental body or agency) payable during such Fiscal Year on such Bonds (other than Pledged Bonds) or Contract outstanding and on any Repayment Obligations then outstanding, plus (b) the Principal Installments during such Fiscal Year on (i) such Bonds outstanding (other than Bond Anticipation Notes) 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 Resolution, and (ii) any Repayment Obligations; *provided, however*, for any Series of Variable Rate Bonds or related Repayment Obligations bearing interest at a variable rate which cannot be ascertained for any particular Fiscal Year, it shall be assumed that such Series of Variable Rate Bonds or related Repayment Obligations will bear interest at the average of the variable rates applicable to such Series of Variable Rate Bonds or related Repayment Obligations during any twenty-four month period (or a shorter period, commencing on the date of issuance of a Series of Variable Rate Bonds or the date of incurring the related Repayment Obligations) ending within thirty (30) days prior to the date of computation, or, with respect to any Series of Variable Rate Bonds or related Repayment Obligations for which such an average of the variable rates cannot be determined, at a rate certified by the District's financial advisor, underwriter or other agent, including a remarketing agent, to be the rate of interest such Series of Variable Rate Bonds or related Repayment Obligations would bear if issued in the same amount, with the same maturity or maturities and with the same security, but bearing interest at a fixed rate*; provided, however,* that there shall be excluded from "Debt Service" certain interest and principal on cross-over refunded bonds as provided in the District Resolution.

"Debt Service Reserve Requirement" means with respect to any Series of Bonds and Series Subaccount established in the Debt Service Reserve Account corresponding to such Series of Bonds (a) upon the issuance of the first Series of Bonds, the amount as may be provided in the Supplemental Resolution authorizing the issuance of such Series of Bonds and (b) upon the issuance of the second Series of Bonds and each Series of Bonds thereafter, the lesser of (1) Maximum Debt Service, (2) 1.25 times Average Debt Service, or (3) ten percent (10%) of the face amount of such Series of Bonds, or such lesser or greater amount as may be permitted under the Code as a result of more than a *de minimis* amount of original issue premium or discount.

"Estimated Net Revenues" means, for any Year, the estimated Revenues for such Year less the estimated Operation and Maintenance Costs based upon estimates prepared by a Qualified Engineer, and approved by resolution of the governing body. In computing Estimated Net Revenues, historical Revenues may be adjusted by the Qualified Engineer to include not more than the Revenues estimated to be available in such Year from, among other things, certain rate increases, certain new customers, certain new contracts and certain improvements or extensions to the System. Historical Operation and Maintenance Costs shall also be adjusted by the Qualified Engineer to reflect any anticipated increases or decreases in Operation and Maintenance Costs, whether as a result of the acquisition or construction of the Project or otherwise.

"Fiscal Year" means the annual accounting period of the District as from time to time in effect, initially a period commencing on January 1 of each calendar Year and ending on the next succeeding December 31.

"Investment Securities" means any of the following securities, if and to the extent that the same are at the time legal for investment of District funds: (i) Direct obligations of or obligations guaranteed by the United States of America; (ii) Bonds, debentures or notes or other evidence of indebtedness issued by any one or a combination of any of the following federal agencies: 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; or the Public Housing Authority; (iii) Written repurchase agreements with any bank, savings institution or trust company (not the Trustee) which is insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, written repurchase agreements with the Trustee if no other investment is practicable, or written repurchase agreements with any broker-dealer with retail customers which fall under Securities Investors Protection Corporation protection, provided that all such repurchase agreements are fully secured by (i) above or obligations of any agency or instrumentality of the United States of America, and provided further that (a) such collateral is held by the Trustee or any agent acting solely for the Trustee during the term of such repurchase agreement, (b) such collateral is not subject to liens or claims of third parties, (c) such collateral has a market value (determined by the Trustee at least once every 14 days) at least equal to the amount invested in the repurchase agreement, (d) the Trustee has a perfected first security interest in the collateral, (e) the agreement shall be for a term not longer than 270 days, except that agreements with the Trustee shall be for a term not longer than five days, and (f) the failure to maintain such collateral at the level required in (c) above will require the Trustee to liquidate the collateral; (iv) Money market funds rated "AAA" by S&P; (v) Direct and general obligations of any state within the territorial United States of America, to the payment of the principal of and interest on which the full faith and credit of such State is pledged, provided that at the time of their purchase under the Resolution, such obligations are rated in either of the two highest rating categories by a nationally recognized bond rating agency; (vi) The following investments fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation: (a) certificates of deposit, (b) savings accounts, (c) deposit accounts, or (d) depository receipts of banks, savings and loan associations and mutual savings banks; (vii) Certificates of deposit properly secured at all times by collateral security described in (i) or (ii) above, provided that such collateral security shall not be required to the extent that such certificates of deposit are fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation. Such agreements are only acceptable with commercial banks, savings and loan associations and mutual savings banks; (viii) Commercial paper rated P-I by Moody's or A-1 by S&P and having a remaining term to maturity of 180 days or less; and (ix) Any daily interest deposit account administered by the Office of the Utah State Treasurer.

"Net Revenues" means, for any period, the Revenues during such period, less the Operation and Maintenance Costs during such period.

"Operation and Maintenance Costs" means all actual operation and maintenance costs related to the System incurred by the District in any particular Fiscal Year or period, including amounts reasonably required to be set aside in reserves for items of Operation and Maintenance Costs, the payment of which is not then immediately required. Operation and Maintenance costs include, but are not limited to, amounts paid for the improvement, repair, replacement or for the

acquisition of any type of equipment related to the System, for salaries and wages, employees' health, hospitalization, pension and retirement expenses, fees for services, materials and supplies, rents, administrative and general expenses, insurance expenses, Security Instrument Costs, Reserve Instrument Costs, legal, engineering, accounting, financial advisory fees and expenses and costs of other consulting and technical services, fees and charges of financial, banking or other institutions for letters of credit, standby credit facilities, reimbursement agreements and remarketing, indexing and tender agent agreements, training of personnel, taxes, payments in lieu of taxes and other governmental charges imposed by other than the District, fuel costs, costs of Utilities Services, payments for the purchase of water in connection with the construction and operation of the System, and any other current expenses or obligations required to be paid by the District under the Resolution or by law, all to the extent properly allocable to the System. Operation and Maintenance Costs do not include depreciation or obsolescence charges or reserves therefor, amortization of intangibles or other bookkeeping entries of a similar nature, interest charges and charges for the payment or amortization of principal or authorization of bonded or other evidences of indebtedness, costs, or charges made therefor, including Repayment Obligations, any payment to the District in lieu of taxes or otherwise, and do not include losses from the sale, abandonment, reclassification, revaluation or other disposition of any properties of the System.

"Pledged Bonds" means any Bonds that have been pledged or in which any interest has otherwise been granted to a Security Instrument Issuer as collateral security for Security Instrument Repayment Obligations.

"Principal and Interest Fund" means the fund by that name established under the Resolution.

"Principal Installment" means, as of any date of calculation (a) with respect to any Series of Bonds, so long as any Bonds thereof are outstanding, (1) the principal amount of Bonds of such Series due on a certain future date for which no Sinking Fund Installments have been established, or (2) the unsatisfied balance (determined as provided in the definition of *"Sinking Fund Installment"*) 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, or (3) if such future dates coincide as to different Bonds of such Series, the sum of such principal amount of Bonds and of such unsatisfied balance of such Sinking Fund Installment due on such future date plus such applicable redemption premiums, if any, (b) with respect to any Repayment Obligation, the principal amount of such Repayment Obligation due on a certain future date.

"Project" means the acquisition, construction, reconstruction, modification, extension or improvement of, or the providing of services for, the System of sewage collection and treatment facilities; however, only if and to the extent that the same shall be designated by the District as a Project in a Supplemental Resolution authorizing the issuance of the initial Series of Construction Bonds or Bond Anticipation Notes for such Project.

"Qualified Engineer" means any engineer or architect or firm of engineers or architects selected by the District who is generally recognized to be well qualified in engineering matters relating to construction and maintenance of municipal sewer systems and who is independent from the District pursuant to certain criteria set forth in the District Resolution.

"Rating Agency" means Moody's Investors Service or Standard & Poor's Ratings Services.

"Rating Category" or *"Rating Categories"* means 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.

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

"Reserve Instrument" means an instrument or other device (other than a Security Instrument) issued to satisfy all or any portion of the Debt Service Reserve Requirement, if any, for a Series of Bonds. The term "Reserve Instrument" includes, by way of example and not of limitation, letters of credit, bond insurance policies, standby bond purchase agreements, lines of credit, surety bonds, and other security instruments and other devices.

"Reserve Instrument Coverage" means, (i) with respect to the District's Sewer Revenue Bonds, Series 2007A (the *"Series 2007A Bonds"*), as of any date of calculation, the amount available to be paid to the Trustee pursuant to the Resolution under a Reserve Instrument issued by a Reserve Instrument Issuer having obligations rated in the highest long-term debt Rating Category of a Rating Agency, or (ii) with respect to any Bonds other than the Series 2007A Bonds, the amount available to be paid to the Trustee pursuant to the Resolution under a Reserve Instrument for such Series of Bonds.

"Reserve Instrument Repayment Obligations" means, as of any date of calculation and with respect to any Reserve Instrument, any outstanding amounts payable by the District to repay amounts previously paid pursuant to a Reserve Instrument.

"Revenues" means all revenues, fees, income, rents and receipts derived by the District from or attributable to the System or any lease or other contractual arrangement with respect to the use of the System or the services or capacity thereof or from the sale of any property of the System permitted under the Resolution from and after the date of delivery of the first Series of Bonds, including the proceeds of any insurance covering business interruption loss. Without limiting the generality of the foregoing, Revenues include all revenues, fees, income, rents and receipts derived by the District from or attributable to the sale of Utilities Services pursuant to a Utilities Services Sales Contract. Revenues also include all interest, profits or other income derived from the investment of any moneys paid pursuant to the Resolution and required to be paid into the Revenue Fund and the proceeds of any interest subsidy with respect to the Bonds paid for or for the account of the District by any governmental body or agency. Revenues shall not include: (a) proceeds received on insurance resulting from casualty damage to assets of the

System; or (b) the proceeds of sale of Bonds, notes, or other obligations issued for System purposes; or (c) moneys received under any Security Instrument or Reserve Instrument.

"Security Instrument" means a device or instrument (other than a Reserve Instrument) issued 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.

"Security Instrument Repayment Obligations" means, as of any date of calculation and with respect to any Security Instrument, any outstanding amounts payable by the District to repay amounts previously or concurrently made by the Security Instrument Issuer pursuant to a Security Instrument.

"Series" means all the Bonds designated as being of the same Series authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefor pursuant to the Resolution.

"Sinking Fund Installment" means an amount so designated which is established pursuant to the provisions of the Resolution. The portion of any such Sinking Fund Installment remaining after the deduction of any such amounts credited pursuant to the provisions of the Resolution toward the same (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments due on a future date.

"State" means the State of Utah.

"Supplemental Resolution" means any resolution in effect which has been duly adopted by the Administrative Control Board of the District under the Act, provided that such Supplemental Resolution is adopted in accordance with the provisions of the Resolution.

"System" means the sewage treatment facilities of the District, and all other improvements, facilities, or property used in connection with the collection, treatment and disposal of sewage, including all improvements, extensions, and additions thereto which may be made while any of the Bonds remain outstanding or any Repayment Obligations remain outstanding, and including all property, real, personal and mixed, of every nature now or hereafter owned by the District and used or useful in the operation of its sewage treatment facilities.

"Trustee" means Zions First National Bank, as the trustee appointed by the District, its successors and assigns, and any other corporation or association which may at any time be substituted in its place as provided in the Resolution.

"Utilities Services" means, without limitation, the collection, treatment or disposal of sewage.

"Utilities Services Sales Contract" means any contract or agreement, between the District and a purchaser of Utilities Services, pursuant to which the District agrees to sell to the purchaser, and the purchaser agrees to buy from the District, Utilities Services as set forth in such contract or agreement.

"Year" means any consecutive period of twelve months.

ESTABLISHMENT OF FUNDS AND ACCOUNTS

The following funds, among others, are established under each of the Resolutions:

(l) Construction Fund, consisting of separate Project Accounts for each Project, to be held by the Trustee, who may establish one or more subaccounts in each Project Account;

(2) Revenue Fund, to be held by the District;

(3) Principal and Interest Fund, to be held by the Trustee, consisting of (A) a Bond Service Account in which the Trustee shall establish a separate Series Subaccount for each Series of Bonds and (B) a Debt Service Reserve Account in which the Trustee shall establish a separate Series Subaccount for each Series of Bonds; and

(4) Reserve Instrument Fund, to be held by the Trustee.

DEPOSIT OF PROCEEDS OF SALE OF BONDS

Simultaneously with the delivery of a Series of Bonds, the proceeds of sale of such Bonds (except refunding Bonds) shall be applied as follows:

(l) There shall be deposited into the Series Subaccount established for such Series of Bonds in the Bond Service Account the amount of such proceeds, if any, representing interest accrued on the Bonds to the date of delivery, as specified in the Supplemental Resolution.

(2) There shall be deposited in the appropriate Series Subaccount established for such Series of Bonds in the Debt Service Reserve Account in the Principal and Interest Fund the amount, if any, from such proceeds as may be required by the proceedings for the issuance of such Bonds, together with any Debt Service Reserve Requirement with respect to such Series of Bonds.

(3) The amount, if any, to be deposited into the Construction Fund, as specified by the Supplemental Resolution.

PLEDGE OF REVENUES

The Bonds and the Repayment Obligations are special obligations of the District payable from and secured by the Revenues and the other moneys, securities and funds pledged therefor. There are pledged for the payment of the principal, redemption price of and interest on the Bonds and of Repayment Obligations in accordance with their terms and the provisions of the Resolution and the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution, (1) the proceeds of sale of the Bonds, (2) the Revenues, and (3) all Funds (other than the Rebate Fund), including the investments, if any, thereof.

ALLOCATION OF REVENUES TO SPECIAL FUNDS

All Revenues are to be deposited promptly by the District to the credit of the Revenue Fund. The District shall from time to time pay from the Revenue Fund the Operation and Maintenance Costs required for the efficient operation and maintenance of the System as they become due and payable as a first charge on the Revenue Fund. The appropriate officer of the District shall on or before the last Business Day of each month, transfer from the Revenue Fund and deposit moneys or investment securities, to the extent available therein:

(1) for credit to the Bond Service Account in the Principal and Interest Fund, the amount, if any, required so that the balance in each of the separate Series Subaccounts therein shall equal the Accrued Debt Service on the Series of Bonds for which such Series Subaccount was established, excluding any Pledged Bonds but including any Security Instrument Repayment Obligations; *provided,* that moneys shall be transferred from the appropriate Project Account in the Construction Fund and deposited into the appropriate Series Subaccount in the Bond Service Account whenever and to the extent that there are moneys in the appropriate Project Account in the Construction Fund for that purpose, in an amount sufficient to cause the balance in such Series Subaccount to equal the Accrued Debt Service on the Series of Bonds;

(2) for credit to each Series Subaccount established within the Debt Service Reserve Account in the Principal and Interest Fund, the amount, if any, required to be deposited therein pursuant to the Supplemental Resolution under which such Series Subaccount was established (including the payment of Reserve Instrument Repayment Obligations to the extent provided for by such Supplemental Resolution); *provided* that if there are not sufficient moneys to satisfy the requirements of this subsection (2) with respect to all Series Subaccounts in the Debt Service Reserve Account, all moneys available for distribution among such Series Subaccounts shall be deposited into the Debt Service Reserve Account and distributed on a pro rata basis to the deficient Series Subaccounts in the Debt Service Reserve Account, such distribution to be determined by multiplying the amount available for distribution by the proportion that the deficiency for each such Series Subaccount bears to the total deficiency for all such Series Subaccounts;

(3) for credit to the Reserve Instrument Fund, with respect to all Reserve Instruments which are in effect and are expected to continue in effect after the end of

such month for any outstanding Series of Bonds, the amount required to be paid, on or before the next such monthly transfer or deposit of Revenues into the Reserve Instrument Fund, to any Reserve Instrument issuer pursuant to any Reserve Instrument agreements and the Resolution, other than Reserve Instrument costs, in order to cause the Reserve Instrument Coverage to equal the Reserve Instrument limit for any such outstanding Series of Bonds;

provided, however, that so long as there shall be held in the Principal and Interest Fund, excluding any Reserve Instrument Coverage, an amount sufficient to pay in full all outstanding Bonds and Repayment Obligations in accordance with their terms (including principal or applicable sinking fund redemption price and interest thereon), no deposits shall be required to be made into the Principal and Interest Fund.

Amounts remaining in the Revenue Fund at the end of each month after payment of the amounts required to be deposited into the Principal and Interest Fund as described above, may be applied by the District, free and clear of the lien of the Resolution, to any one or more of the following, to the extent permitted by law: (1) transfer into the District's general fund amounts representing payments in lieu of taxes and return of the District's investment in the System; (2) the purchase or redemption of any Bonds and payment of expenses in connection with the purchase or redemption of any Bonds; (3) payments of principal or redemption price of and interest on any bonds, including general obligation or junior lien revenue bonds of the District, issued to acquire improvements or extensions to the System; (4) payments into any Project Account or Accounts established in the Construction Fund for application to the purposes of such Accounts; (5) payment of the costs of capital improvements to the System; and (6) any other lawful purpose of the District.

PAYMENT OF OPERATION AND MAINTENANCE COSTS

The Operation and Maintenance Costs shall be paid by the District from time to time as they become due and payable from moneys in the Revenue Fund as a first charge on the Revenue Fund.

OPERATION OF SPECIAL FUNDS

Principal and Interest Fund—Bond Service Account. The Trustee shall pay out of the appropriate Series Subaccount in the Bond Service Account to the respective Paying Agents: (1) on or before each interest payment date, the amount required for the interest payable on such date; (2) on or before each Principal Installment due date of any of the Bonds, the amount required for the Principal Installment payable on such due date; and (3) on or before any redemption date, the amount required for the payment of interest and redemption price on the Bonds then to be redeemed. Such amounts shall be applied by the Paying Agents to pay Principal Installments and redemption price of, and interest on the related Series of Bonds.

The Trustee shall pay out of the appropriate Series Subaccount in the Bond Service Account to a Security Instrument issuer an amount equal to any Security Instrument Repayment Obligation due and payable to such Security Instrument issuer.

Principal and Interest Fund—Debt Service Reserve Account. If on the final Business Day of any month, after the deposit of moneys from the Revenue Fund described above, the amount in any Series Subaccount in the Bond Service Account shall be less than the amount required to be in such Series Subaccount, the Trustee shall: (1) apply amounts from the corresponding Series Subaccount, if any, in the Debt Service Reserve Account to make good the deficiency; and (2) to the extent that moneys and investments available in the corresponding Series Subaccount, if any, in the Debt Service Reserve Account are not sufficient to eliminate the deficiency in the Series Subaccount in the Bond Service Account and Reserve Instruments are in effect for the corresponding Series of Bonds, immediately make a demand for payment on all such Reserve Instruments, up 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 in the appropriate Series Subaccount in the Bond Service Account.

Whenever the moneys on deposit in a Series Subaccount in the Debt Service Reserve Account for a Series of Bonds, including investment earnings and Reserve Instrument Coverage with respect thereto, shall exceed the Debt Service Reserve Requirement on all outstanding Bonds of such Series and related Repayment Obligations, any excess moneys shall be transferred by the Trustee and deposited into the Revenue Fund.

Whenever the amount in a Series Subaccount in the Debt Service Reserve Account, excluding any Reserve Instrument Coverage, together with the amount in the corresponding Series Subaccounts in the Bond Service Account for a Series of Bonds, is sufficient to pay in full all outstanding Bonds of such Series in accordance with their terms, the funds on deposit in such Series Subaccount in the Debt Service Reserve Account shall be transferred to the corresponding Series Subaccounts in the Bond Service Account and no deposits shall be required to be made into such Series Subaccount in the Debt Service Reserve Account.

Reserve Instrument Fund. The amounts in the Reserve Instrument Fund shall, from time to time, be applied by the District to pay to Reserve Instrument issuers the amounts which are due and payable under corresponding Reserve Instrument agreements; *provided* that to the extent there are insufficient moneys available in the Reserve Instrument Fund to pay all Reserve Instrument issuers the amounts which are due and payable under their respective Reserve Investment agreements, amounts from the Reserve Instrument Fund shall be paid on a pro rata basis to each Reserve Instrument issuer, such distribution to be determined by multiplying the amount available in the Reserve Instrument Fund by the proportion that the actual unreimbursed amount paid by such Reserve Instrument issuer pursuant to its Reserve Instrument agreement bears to the total unreimbursed amounts paid by all of the Reserve Instrument issuers pursuant to their respective Reserve Instrument agreements.

Construction Fund. There shall be paid into the Construction Fund the amounts required to be so paid by the provisions of the Resolution or any Supplemental Resolution. The proceeds of insurance maintained in connection with a Project during the period of construction of such Project against physical loss of or damage to properties of the System, or of contractors' performance bonds with respect thereto, pertaining to the period of construction thereof, shall be paid into the appropriate Project Account in the Construction Fund. Amounts in each Project Account in the Construction Fund established for a Project shall be applied to pay the Cost of

Construction of the Project. In the event and to the extent that proceeds of the sale of Bonds were deposited in a Project Account to provide for the payment of capitalized interest, the Trustee shall, during the period for which interest was capitalized, transfer from the Project Account and deposit into the appropriate Series Subaccount in the Bond Service Account, the amounts required to pay interest on the Bonds when due.

Before any payment is made from any Project Account by the Trustee (except for transfers into Series Subaccounts in the Bond Service Account to pay interest on the Bonds as contemplated above), the District shall file with the Trustee a written request. Upon receipt of the aforementioned written request and any other necessary documents, the Trustee shall pay the amounts set forth in the written certificate.

The substantial completion of construction of a Project shall be evidenced by an engineer's certificate, which shall be filed with the Trustee as soon as practicable upon completion of the Project. Upon the filing of such engineer's certificate, the balance in the Project Account in the Construction Fund in excess of the amount, if any, stated in such certificate and if, subsequent to the filing of such certificate, a supplemental engineer's certificate is filed with the Trustee stating that the balance of the money remaining in the Construction Fund is no longer needed to pay Costs of Construction of such Project, any remaining balance in the Project Account in the Construction Fund shall, to the extent permitted under applicable law and covenants regarding the use of proceeds of the Bonds, be (i) used to purchase Bonds, (ii) deposited into the Debt Service Reserve Account to fund any amounts required to be deposited therein, (iii) deposited into the Bond Service Account, (iv) transferred into another Project Account to pay costs of construction of another Project or (v) used for any combination of the foregoing.

ADDITIONAL BONDS

Additional Bonds (also referred to as *"Obligations"*) may be issued under the Resolution by the District only upon the satisfaction of various conditions specified therein. The amount of additional Obligations which may be issued under the Resolution is not limited by law or the Resolution.

In connection with the issuance of additional Obligations to finance the construction of a Project, the District is required to file, among other things, the following documents with the Trustee:

(1) a copy of the Supplemental Resolution authorizing such Obligations;

(2) a certificate of the District to the effect that, upon the delivery of the additional Obligations, the District will not be in default in the performance of any of the covenants, conditions, agreements, terms or provisions of the Bond Resolution or any Obligations, Reserve Instrument Agreements or Security Instrument Agreements;

(3) a certificate of a Qualified Engineer setting forth the then estimated Completion Date and the then estimated Cost of Construction of the Project being financed by the additional Obligations;

(4) a certificate of an Independent Public Accountant (as defined in the Resolution), to the effect that Net Revenues for any Year during the preceding 24 months were at least equal to 1.10 times Aggregate Debt Service for such Year and any Repayment Obligations outstanding during such Year;

(5) a certificate of a Qualified Engineer in the manner prescribed by the Resolution setting forth the Estimated Net Revenues for (a) each of the two Fiscal Years following the estimated Completion Date of the Project being financed by the additional Obligations during which any of the Obligations will be outstanding, if interest on the additional Obligations is capitalized to the estimated Completion Date or (b) the current Fiscal Year and each succeeding Fiscal Year to and including the second Fiscal Year succeeding the latest estimated Completion Date of the Project, if interest during construction is not capitalized; and

(6) a certificate of the District to the effect that the Estimated Net Revenues as set forth in the certificate described in (5) above for each of the Fiscal Years set forth therein will be not less than 1.10 times Aggregate Debt Service for such Fiscal Years and Repayment Obligations anticipated to be outstanding during such Fiscal Years.

The District may issue refunding Bonds on a parity with the Obligations to refund all or a part of any outstanding Bonds, subject, however, to certain provisions and conditions specified in the Bond Resolution. The District may issue Bond Anticipation Obligations payable as to interest from the Principal and Interest Fund on a parity with the Obligations but payable as to principal and premium, if any, solely from the proceeds of sale of a Series of Bonds, subject, however, to certain provisions and conditions specified in the Bond Resolution.

CERTAIN COVENANTS

Punctual Payment. The District will punctually pay or cause to be paid the Bond Payments and the principal and interest due on any Repayment Obligations, in strict conformity with the terms of the Bonds and of the Resolution and will faithfully observe and perform all of the covenants, conditions and requirements of the Resolution.

Operation and Maintenance. The District will cause the System to be operated continuously, to the extent practicable, in an efficient and economical manner, and will cause the System to be maintained in good repair, working order and condition. The District will from time to time cause to be made all necessary and proper repairs and replacements so that the rights and securities of the holders of the Bonds will be fully protected and preserved.

Maintenance of Revenues. The District will at all times faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the State of Utah, and comply with all terms, covenants and provisions, express and implied, of all contracts and

agreements, including without limitation all Utilities Services Sales Contracts, entered into by it for System use and services and all other contracts or agreements affecting or involving the System or the business of the District with respect thereto. The District shall promptly collect all charges due for System use and service supplied by it as the same become due, and shall at all times maintain and promptly and vigorously enforce its rights against any person who does not pay such charges when due. The District will not sell, convey, mortgage, encumber or otherwise dispose of any part of the Revenues, except as otherwise permitted under the Resolution. The District, so far as it legally may, has covenanted and agreed that it will not grant a franchise for the operation of any competing sewer system in the boundaries of the District until all the Bonds shall have been retired and all Repayment Obligations have been paid.

The District will not permit Utility Services to be supplied by the System, to any person, firm, corporation, public or private, or to any public agency or instrumentality without due consideration to be received in exchange. All payments so made shall be considered Revenues and shall be applied in the manner hereinabove provided for the application of the other Revenues.

Rates and Charges. The District will annually in each and every Fiscal Year include in the budget for the System an appropriation from the Revenues sufficient to pay all Operation and Maintenance Costs and Debt Service due in that Fiscal Year. In order to assure full and continuous performance of the covenants to maintain revenues, with a margin for contingencies and temporary unanticipated reduction in Revenues, the District has covenanted and agreed that it will, at all times while any of the Bonds shall be outstanding or related Repayment Obligations are unpaid, continue in effect and establish, fix, prescribe and collect rates and charges for the sale or use of System services furnished by the District which, together with other income, are reasonably expected to yield (A) an amount of Net Revenues equal to at least (1) 1.10 times the Aggregate Debt Service for the forthcoming Fiscal Year, (2) if a Security Instrument or a Reserve Instrument shall be in effect with respect to any of the Bonds Outstanding, the Repayment Obligations which the District anticipates will be due and payable for such forthcoming Fiscal Year, and (3) sufficient to fund the Debt Service Reserve Account in the time, rate and manner specified in the Resolution, and (B) so long as the Series 2010 Bonds are outstanding, an amount of Net Revenues, exclusive of impact fee revenues, equal to 1.00 times the Aggregate Debt Service for the forthcoming Fiscal Year. The District has agreed that should its annual financial statement disclose that during the period covered by such financial statement the Net Revenues were not at least equal to the above requirement, the District shall request that the Qualified Engineer make recommendations as to the revision of the rates, charges and fees and the District 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 described above.

The District shall not surrender its power to fix and maintain rates for services provided by the System. For the purposes outlined in the immediately preceding paragraph, balances held in the Revenue Fund on the last day of each Fiscal Year in excess of 25% of the amount of the Operation and Maintenance Costs for that Fiscal Year, after payment of all Operation and Maintenance Costs and all deposits required by the Resolution to that date have been made, shall be considered to be Net Revenues.

Exclusion of Lands from the District. The Special Service District Act provides that lands may not be withdrawn from a special service district so long as any bonds or other obligations of the district are outstanding and unpaid or if any contractual obligation to provide service exists. Because the District has long-term obligations outstanding and a contractual obligation to provide sewer services to a number of cities within its boundaries, no lands have been excluded from the District.

Payment of Taxes and Claims. The District will, from time to time, duly pay and discharge, or cause to be paid and discharged, any taxes, assessments or other governmental charges lawfully imposed upon any of the properties of the System or upon the Revenues and will duly observe and conform to all valid requirements of any governmental authority relative to any such properties. The District will keep the System and all parts thereof free from judgments, mechanics' and materialmen's liens (except those arising by mere operation of law from the construction of the System and other improvements of the System) and free from all other liens, claims, demands and encumbrances of whatsoever prior nature or character.

Insurance. Subject in each case to the condition that insurance is obtainable at reasonable rates and upon reasonable terms and conditions, the District will procure and maintain insurance on the System and public liability insurance in such amounts and against such risks as are usually insurable in connection with similar sewage systems and are usually carried by municipalities operating similar sewage systems. The District will secure and maintain adequate fidelity insurance or bonds on all officers and employees handling or responsible for funds of the District related to the System. The District will place on file with the Trustee annually a summary of all insurance policies then in effect with respect to the System, its officers and employees.

Accounting Records and Financial Reports. The District will at all times keep, or cause to be kept, proper books of record and accounts in accordance with generally accepted accounting principles in which complete and accurate entries shall be made of all transactions relating to the System and the Revenues. The Resolution requires the District to place on file with the Trustee from time to time various audited and unaudited financial statements and various reports relating to the System and the Revenues and to notify the Trustee immediately on the occurrence of an event of default.

Against Sale or Other Disposition of Property. The District will not sell or dispose of any property essential to the proper operation of the System or the maintenance of the Revenues; *provided that* this covenant shall not prevent the sale or other disposition of any property constituting part of the System if the District, in its judgment, concludes that it has become inexpedient to use such property in connection with the System when other property of equal value is substituted therefore, and *provided further* that this covenant shall not apply to the sale or other disposition of any property constituting part of the System if the District shall first file with the Trustee a written certificate of a Qualified Engineer which demonstrates that immediately subsequent to such sale or disposition and after giving effect to the loss of Revenues (including any change in Operation and Maintenance Costs) if any, resulting from such sale or other disposition and for the remainder of the Fiscal Year in which such sale or other disposition is consummated and in the next succeeding Fiscal Year, the Estimated Net Revenues of the

System will be not less than 1.10 times the Aggregate Debt Service for each of such Fiscal Years. The District will not enter into any lease or other agreement which impairs or impedes the operation of the System or which impairs or impedes the rights of the Bondholders with respect to the Revenues.

Compliance with Resolution. The District will not issue, or permit to be issued, any Bonds in any manner other than in accordance with the provisions of the Resolution and will not suffer or permit any default to occur under the Resolution, but will faithfully observe and perform all the covenants, conditions and requirements thereof. The District will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Resolution, and for the better assuring and confirming unto the Holders of the Bonds of the rights, benefits and security provided in the Resolution. The District for itself, its successors and assigns, represents, covenants and agrees with the Holders of the Bonds as a material inducement to the purchase of the Bonds that so long as any of the Bonds shall remain outstanding and the principal or redemption price thereof or interest thereon shall be unpaid or unprovided for, it will faithfully perform all of the covenants and agreements contained in the Resolution and the Bonds.

Power to Issue Bonds and Pledge Revenues and Other Funds. The District is duly authorized under all applicable laws to create and issue the Bonds and to adopt the Resolution and to pledge the Revenues and other moneys, securities and funds purported to be pledged by the Resolution in the manner and to the extent provided in the Resolution. The Bonds and the provisions of the Resolution are and will be the valid and legally enforceable obligations of the District in accordance with their terms and the terms of the Resolution. The District shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues and other moneys, securities and funds pledged under the Resolution and all the rights of the Bondholders under the Resolution against all claims and demands of all persons whomsoever.

EVENTS OF DEFAULT

Each of the following events constitutes an "event of default" under the Resolution:

(l) failure to make the due and punctual payment of the principal or redemption price, if applicable, of any Bond when the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;

(2) failure to make the due and punctual payment of any installment of interest on any Bond or any Sinking Fund Installment when the same shall become due and payable;

(3) failure by the District to observe any of the covenants, agreements or conditions on its part in the Resolution or in the Bonds contained, and failure to remedy the same for a period of 60 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the District by the Trustee, or

to the District and the Trustee by the holders of not less than 25% in aggregate principal amount of the Bonds at the time outstanding;

(4) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, including without limitation proceedings under Chapter 9 of Title 11, United States Code (as the same may from time to time be hereafter amended), or other proceedings for relief under any Federal or state bankruptcy law or similar law for the relief of debtors are instituted by or against the District and, if instituted against the District, said proceedings are consented to or are not dismissed within 30 days after such institution;

(5) failure to make the due and punctual payment of any Security Instrument Repayment Obligations or Security Instrument costs when and as the same shall become due and payable under the provisions of any Security Instrument agreement;

(6) receipt by the Trustee of a written notice from a Security Instrument issuer that an event of default, however defined in the Security Instrument agreement to which such Security Instrument issuer is a party, has occurred and is continuing under such Security Instrument agreement;

(7) any event of default specified in a Supplemental Resolution.

REMEDIES

Acceleration. Upon the occurrence of an event of default, unless the principal of all the Bonds shall have already become due and payable, (a) the Trustee may, or (b) the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time outstanding shall be entitled to, upon notice in writing to the District and the Trustee, or (c) the Trustee shall, upon notice by a Security Instrument issuer that an event of default under paragraph (5) above has occurred and is continuing, or (d) the Trustee shall, if an event of default shall have occurred under paragraph (6) above and the Security Instrument Agreement under which such event of default arises requires acceleration upon the occurrence of such event of default, or (e) the Trustee shall, if an event of default shall have occurred under paragraph (7) above and the Supplemental Resolution specifying such event of default requires acceleration upon occurrence of such event of default, declare the principal of all of the Bonds then outstanding, and the interest accrued thereon, to be due and payable immediately, and upon such declaration the same shall become and shall be immediately due and payable, anything in the Resolution or in the Bonds contained to the contrary notwithstanding.

The right of the Trustee or of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time outstanding to make any such declaration as aforesaid, however, is subject to the conditions that: (1) If, at any time after such declaration, any overdue installments of interest upon the Bonds, together with the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums then payable by the District under the Resolution (except the principal of, and interest accrued since the next preceding interest payment date on, the Bonds due and payable solely by virtue of such declaration) shall

either be paid by the District or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Bonds or under the Resolution (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be made good or be secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor; (2) If, at any time after such declaration, no event of default, however defined in any Security Instrument agreement, has occurred and is continuing under such Security Instrument agreement; (3) If the amount available to be drawn by the Trustee under each Reserve Instrument is then equal to the Reserve Instrument limit; and (4) If any other requirement specified in a Supplemental Resolution shall have been satisfied; then and in every such case the Holders of not less than fifty percent (50%) in aggregate principal amount of the Bonds at the time outstanding, by written notice to the District and to the Trustee, may rescind such declaration and annul such default in its entirety, or, if the Trustee shall have acted without a direction from the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time outstanding at the time of such request, and if there shall not have been theretofore delivered to the Trustee written direction to the contrary by the Holders of not less than fifty percent (50%) in aggregate principal amount of the Bonds then outstanding, then any such declaration shall *ipso facto* be deemed to be rescinded and any such default and its consequences shall *ipso facto* be deemed to be annulled, but no such rescission and annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

Rights and Remedies of Bondholders. No holder of any Bond shall have the right to institute any proceeding for the enforcement of any remedy under the Resolution unless (l) such holder has previously given written notice to the Trustee of a continuing event of default, (2) the Holders of not less than 25% in principal amount of Bonds then outstanding shall have made written request to the Trustee to institute proceedings in respect of such event of default in its own name, (3) such holder or holders have offered to the Trustee reasonable indemnity required by the Resolution, (4) the Trustee shall thereafter fail for 60 days to institute any such proceeding, and (5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the outstanding Bonds. Each Bondholder shall have the right, however, to receive payment of the principal of, redemption price and interest on such Bonds on the stated maturity thereof (or on the redemption date thereof, if applicable) and to institute suit for the enforcement of any such payment.

The holders of a majority in principal amount of Bonds then outstanding shall have the right to direct the time, method and place of conducting all proceedings, in accordance with the Resolution and applicable law.

Appointment of Receiver. Upon the occurrence of an event of default and the commencement of judicial proceedings to enforce the rights of the Trustee and the Bondholders, the Trustee shall be entitled to the appointment of a receiver of the trust estate created by the Resolution pending such proceedings, with such powers as a court making such appointment shall confer, as provided in the Resolution.

Remedies Not Exclusive. No remedy conferred in the Resolution upon or reserved to the Trustee and the Holders of Bonds or, with respect to Repayment Obligations, of any Security Instrument issuers or any Reserve Instrument issuers, as appropriate, is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised at any time or from time to time, and as often as may be necessary, by the Trustee and the Holder of any one or more of the Bonds or, with respect to Repayment Obligations, by Security Instrument issuers or Reserve Instrument issuers, as appropriate. Nothing contained in the Resolution shall permit the levy of any attachment or execution upon any of the properties of the District, nor shall any properties of the District be subject to forfeiture by reason of any default under the Resolution, it being expressly understood and agreed by each and every Bondholder by the acceptance of any Bond and by each and every Security Instrument issuer and Reserve Instrument issuer by entering into Security Instrument agreements and Reserve Instrument agreements, that the rights of all such Bondholders, Security Instrument issuers and Reserve Instrument issuers are limited and restricted to the use and application of Revenues and other moneys, securities and Funds pledged under the Resolution in accordance with the terms of the Resolution.

Application of Revenues and Other Moneys after Default. During the continuance of an event of default, the Trustee shall apply such Revenues and such moneys, securities and funds and the income therefrom as follows and in the following order, *provided* that moneys held in any Series Subaccount in the Bond Service Account or in the Debt Service Reserve Account or received under any Security Instrument shall not be used for purposes other than payment of the interest and principal or redemption price then due on the Series of Bonds corresponding to such Series Subaccount or such Security Instrument in accordance with paragraph (3) below: (1) to the payment of the reasonable and proper charges and expenses of the Trustee and the reasonable fees and disbursements of its counsel; (2) to the payment of the Operation and Maintenance Costs; (3) to the payment of the interest and principal or redemption price then due on the Bonds and Security Instrument Repayment Obligations, as follows: (A) unless the Principal of all of the Bonds shall have become or have been declared due and payable, FIRST: To the payment to the persons entitled thereto of all installments of interest then due on the Bonds and the Security Instrument Repayment Obligations in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and SECOND: To the payment to the persons entitled thereto of the unpaid principal or redemption price of any Bonds and Security Instrument Repayment Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Bonds and Security Instrument Repayment Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal or redemption price due on such date, to the persons entitled thereto, without any discrimination or preference; (B) if the principal of all of the Bonds shall have become or have been declared due and payable, 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 Obligations over

any other Bond or Security Instrument Repayment Obligations, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference; and (4) To the payment of all obligations owed to any Reserve Instrument Issuers.

INVESTMENTS

Moneys held in any fund or account under the Resolution shall be invested and reinvested by the District or the Trustee to the fullest extent practicable in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such fund or account, subject to the following: (1) the Trustee shall make such investments only in accordance with instructions received from an Authorized Officer of the District; and (2) any Supplemental Resolution authorizing a Series of Bonds may impose additional restrictions on moneys held in any fund or account.

Subject to any required rebate of earnings on investments in any fund or account to the United States of America pursuant to Section 148(f) of the Code, (i) all moneys earned as an investment of moneys in the Construction Fund shall be retained therein, (ii) net income earned on any moneys or investments in the Revenue Fund, the Bond Service Account in the Principal and Interest Fund and the Reserve Instrument Fund shall be transferred to the Revenue Fund and (iii) whenever a Series Subaccount in the Debt Service Reserve Account is in its full required amount, net income earned on any moneys or investments in such Series Subaccount shall be transferred to the Revenue Fund, otherwise, to be retained therein.

DISCHARGE OF INDEBTEDNESS

If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds the principal or redemption price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Resolution and if all Repayment Obligations owed to Security Instrument issuers and Reserve Instrument issuers shall have been paid in full, then the pledge of any Revenues and other moneys, securities and funds pledged under the Resolution and all covenants, agreements and other obligations of the District to the Bondholders, Security Instrument issuers and Reserve Instrument issuers shall thereupon cease, terminate and become void and be discharged and satisfied. If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of any outstanding Bonds the principal or redemption price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Resolution, such Bonds shall cease to be entitled to any lien, benefit or security under the Resolution, and all covenants, agreements and obligations of the District to the Holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Fiduciaries (through deposit by the District of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the immediately preceding paragraph, unless otherwise provided in a Supplemental Resolution with

respect to a Series of Bonds. All outstanding Bonds of any Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the immediately preceding paragraph if (1) in case any of said Bonds are to be redeemed on any date prior to their maturity, the District shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail as provided in the Resolution notice of redemption of such Bonds on said date, (2) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Investment Securities (including any Investment Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or redemption price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (3) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the District shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, first class postage prepaid, a notice to the Holders of such Bonds that the deposit required by (2) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the applicable provisions of the Resolution and stating such 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.

Notwithstanding the foregoing, in the case of any Bonds that are payable from amounts drawn on or derived under any Security Instrument, the moneys and Investment Securities referred to in clause (2) of the preceding sentence shall be deemed to refer only to (i) moneys drawn or derived, or Investment Securities acquired with moneys drawn or derived, under such Security Instrument, or (ii) moneys or Investment Securities which have been on deposit with the Trustee for 123 days during which period no petition shall have been filed by or against the District under any bankruptcy or similar act (unless such petition shall have been dismissed and such dismissal shall be final and not subject to appeal), unless an opinion of nationally recognized counsel in the field of bankruptcy law is filed with the Trustee and the Security Instrument issuer to the effect that such moneys and Investment Securities are not subject to the avoidance powers of a trustee in bankruptcy under the provisions of Section 547(b) or Section 544(b) (construing "applicable law" in Section 544(b) to mean and include only the laws of the State of Utah) of the United States Bankruptcy Code, Title 11, United States Code, in which case such money or Investment Securities need not be on deposit with the Trustee as heretofore required in this subclause (ii). Neither Investment Securities nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or redemption price, if applicable, and interest on said Bonds; *provided* that any cash received from such principal or interest payments on such Investment Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Investment Securities maturing at times and in amounts sufficient to pay when due the principal or redemption price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the District, as received by the Trustee, free and clear of any trust, lien or pledge. For the purposes described

above and under the caption "DISCHARGE OF INDEBTEDNESS," Investment Securities shall mean and include only such securities as are described in clauses (1) and (2) of the definition of "Investment Securities" which shall not be subject to redemption prior to their maturity.

MODIFICATION OR AMENDMENT OF THE RESOLUTION

The Resolution or any Supplemental Resolution and the rights and obligations of the District and of the Holders of the Bonds may be modified or amended at any time by a Supplemental Resolution and pursuant to the affirmative vote at a meeting of Bondholders, or with the written consent without a meeting, (1) of the Holders of at least sixty percent (60%) in principal amount of the Bonds then outstanding, and (2) in case less than all of the several Series of Bonds then outstanding are affected by the modification or amendment, of the Holders of at least sixty percent (60%) in principal amount of the Bonds of each Series so affected and then outstanding, and (3) in case the modification or amendment changes the terms of any Sinking Fund Installment, of the Holders of at least sixty percent (60%) in principal amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Installment and then outstanding; *provided, however,* that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series remain outstanding, the consent of the Holders of Bonds of such Series shall not be required and Bonds of such Series shall not be deemed to be outstanding for the purpose of any calculation of outstanding Bonds. No such modification or amendment shall (1) extend the fixed maturity of any Bond, or reduce the principal amount or redemption price thereof, or reduce the rate or extend the time of payment of interest thereon, without the consent of the Holder of each Bond so affected, or (2) reduce the aforesaid percentage of Bonds required for the affirmative vote or written consent to an amendment or modification of the Resolution, without the consent of the Holders of all of the Bonds then outstanding, or (3) without its written consent thereto, modify any of the rights or obligations 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 below, neither the Resolution nor any Supplemental Resolution 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 the related Reserve Instrument issuer, as the case may be.

The Resolution or any Supplemental Resolution and the rights and obligations of the District, the Holders of the Bonds, the Security Instrument issuers and the Reserve Instrument issuers may also be modified or amended at any time by a Supplemental Resolution without the consent of any Bondholders, Security Instrument issuers and Reserve Instrument issuers but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the District contained in the Resolution other covenants and agreements thereafter to be observed, or to surrender any right or power therein reserved to or conferred upon the District;

(2) to make such provisions for the purpose of curing any ambiguity, or of curing or correcting any defective provision contained in the Resolution or in regard to questions arising under the Resolution, as the District may deem necessary or desirable, and which shall not adversely affect the interests of the Holders of the Bonds and any Security Instrument issuers or any Reserve Instrument issuers;

(3) to provide for the issuance of an additional Series of Bonds, and to provide the terms and conditions under which such Series of Bonds may be issued, subject to and in accordance with the provisions of the Resolution;

(4) 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, Chapter 7 of Title 15 of the Utah Code Annotated 1953, as amended, or any successor provision of law;

(5) to make any change which shall not materially adversely affect the rights or interests of the Holders of any outstanding Bonds, any Security Instrument issuers or any Reserve Instrument issuers, requested by a Rating Agency in order to obtain or maintain any rating on the Bonds;

(6) to make any change necessary (A) to establish or maintain the exemption from federal income taxation 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 Resolution to the United States of America.

Amendment by Written Consent. The Administrative Control Board may at any time adopt a valid Supplemental Resolution amending the provisions of the Bonds or of the Resolution or any Supplemental Resolution, to the extent that such an amendment is permitted by the Resolution, to become effective when and as approved by written consent of the Bondholders, Contracting Parties and any necessary Security Instrument Issuers and Reserve Instrument Issuers and as provided in this paragraph. Such Supplemental Resolution shall not be effective unless there shall have been filed with the District or the Trustee the written consents of the necessary number of Holders of the Bonds then outstanding and the consents of any necessary Security Instrument Issuers and Reserve Instrument Issuers, Contracting Parties and a notice shall have been mailed as provided in this paragraph. It shall not be necessary for any consent of the Bondholders and Contracting Parties under this paragraph to approve the particular form of any proposed Supplemental Resolution, but it shall be sufficient if such consent shall approve the substance thereof. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given. Any such consent shall be binding upon the Holder of the Bonds giving such consent and on any subsequent Holder thereof (whether or not such subsequent Holder has notice thereof) unless such consent is revoked in writing by the Holder of the Bonds giving such consent or a subsequent Holder thereof by filing such revocation with the District prior to the date when the

notice provided for in this paragraph has been mailed. Notice of the fact of the adoption of such Supplemental Resolution shall be mailed by the District to Bondholders, Contracting Parties and any necessary Security Instrument issuers and Reserve Instrument issuers (but failure to mail copies of such notice shall not affect the validity of the Supplemental Resolution when assented to by the Contracting Parties and the requisite percentage of the Holders of the Bonds as aforesaid).

CERTAIN RIGHTS OF THE BOND INSURER

Assured Guaranty Municipal Corp. (the *"AGM"*) is the provider of the Policies. So long as the Insured Bonds are Outstanding, AGM shall be deemed to be the holder of all of the Insured Bonds for purposes of (a) exercising all remedies, taking actions or for any other purposes following an event of default under the Resolution and (b) granting any consent, waiver, direction or approval or taking any action permitted by or required under the Resolution, as the case may be, to be granted or taken by the Holders of such Insured Bonds.

The consent of AGM is required in addition to the consent of the Series 2010 Bondholders, when such Bondholder consent is required, to supplement or modify the Resolution. Notwithstanding any other provision of the Resolution, upon the occurrence and continuance of an event of default thereunder, the consent of AGM is required prior to any acceleration of the Insured Bonds by the Bondholders or the pursuit by the Bondholders of any other legal remedy with respect to the Insured Bonds. In addition, in the event AGM makes any payments in respect of principal of or interest on the Insured Bonds pursuant to the Policies to Bondholders, AGM shall become subrogated to the rights of such Bondholders to the extent of such payments, including any rights that such Bondholders may have in respect of securities laws violations arising from the offer and sale of such Insured Bonds.

APPENDIX C

PROPOSED FORM OF

CONTINUING DISCLOSURE UNDERTAKING

FOR THE PURPOSE OF PROVIDING
CONTINUING DISCLOSURE INFORMATION
UNDER SECTION (b)(5) OF RULE 15c2-12

[TO BE DATED CLOSING DATE]

This Continuing Disclosure Undertaking (the *"Agreement"*) is executed and delivered by Timpanogos Special Service District (the *"Issuer"*) in connection with the issuance of the Issuer's $11,680,000 Sewer Revenue and Refunding Bonds, Series 2010A (the *"Series 2010A Bonds"*) and $49,955,000 Taxable Sewer Revenue Bonds, Series 2010B (Build America Bonds–Issuer Subsidy) (the *"Series 2010B Bonds"* and, collectively with the Series 2010A Bonds, the *"Bonds*). The Bonds are being issued pursuant to Resolution No. 1994-04 Providing for the Issuance of Sewer Revenue Bonds, adopted May 11, 1994, as supplemented and amended, including by Supplemental Resolutions relating to the respective Bonds, each adopted February 18, 2010 (collectively, the *"Resolution"*).

In consideration of the issuance of the Bonds by the Issuer and the purchase of such Bonds by the beneficial owners thereof, the Issuer covenants and agrees as follows:

1. PURPOSE OF THIS AGREEMENT. This Agreement is executed and delivered by the Issuer as of the date set forth below, for the benefit of the beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with the requirements of the Rule (as defined below). The Issuer represents that it will be the only obligated person with respect to the Bonds at the time the Bonds are delivered to the Participating Underwriters and that no other person is expected to become so committed at any time after issuance of the Bonds.

2. DEFINITIONS. The terms set forth below shall have the following meanings in this Agreement, unless the context clearly otherwise requires.

Annual Financial Information means the financial information and operating data described in *Exhibit I*.

Annual Financial Information Disclosure means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

Audited Financial Statements means the audited financial statements of the Issuer prepared pursuant to the standards and as described in *Exhibit I*.

Commission means the Securities and Exchange Commission.

Dissemination Agent means any agent designated as such in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation, and such agent's successors and assigns.

EMMA means the MSRB through its Electronic Municipal Market Access system for municipal securities disclosure or through any other electronic format or system prescribed by the MSRB for purposes of the Rule.

Exchange Act means the Securities Exchange Act of 1934, as amended.

Material Event means the occurrence of any of the Events with respect to the Bonds set forth in *Exhibit II* that is material, as materiality is interpreted under the Exchange Act.

Material Events Disclosure means dissemination of a notice of a Material Event as set forth in Section 5.

MSRB means the Municipal Securities Rulemaking Board.

Participating Underwriter means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Bonds.

Rule means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

State means the State of Utah.

Undertaking means the obligations of the Issuer pursuant to Sections 4 and 5.

3. CUSIP NUMBER/FINAL OFFICIAL STATEMENT. The CUSIP Numbers of the Bonds are as follows:

SERIES 2010A BONDS

JUNE 1 OF THE YEAR	PRINCIPAL AMOUNT	CUSIP NUMBER
2011	$1,000,000	887440 AR 6
2012	1,625,000	887440 AS 4
2013	1,690,000	887440 AT 2
2014	1,775,000	887440 AU 9
2015	1,865,000	887440 AV 7
2016	1,825,000	887440 AW 5
2017	1,900,000	887440 AX 3

SERIES 2010B BONDS

JUNE 1 OF THE YEAR	PRINCIPAL AMOUNT	CUSIP NUMBER
2018	$ 1,980,000	887440 AY 1
2019	2,040,000	887440 AZ 8
2020	2,100,000	887440 BA 2
2021	2,175,000	887440 BB 0
2022	2,250,000	887440 BC 8
2023	2,335,000	887440 BD 6
2024	2,420,000	887440 BE 4
2030	16,870,000	887440 BF 1
2035	17,785,000	887440 BG 9

The Final Official Statement relating to the Bonds is dated February 18, 2010 (the *"Final Official Statement"*). The Issuer will include the CUSIP Number in all disclosure described in Sections 4 and 5 of this Agreement.

4. ANNUAL FINANCIAL INFORMATION DISCLOSURE. Subject to Section 8 of this Agreement, the Issuer hereby covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements (in the form and by the dates set forth in *Exhibit I*) to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Issuer will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment or waiver is made to this Agreement, the Annual Financial Information for the year in which such amendment or waiver is made (or in any notice or supplement provided to EMMA) shall contain a narrative description of the reasons for such amendment or waiver and its impact on the type of information being provided.

5. MATERIAL EVENTS DISCLOSURE. Subject to Section 8 of this Agreement, the Issuer hereby covenants that it will disseminate in a timely manner Material Events Disclosure to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission or the State at the time of delivery of such information. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Bonds or defeasance of any Bonds need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the Bondholders pursuant to the Resolution.

6. CONSEQUENCES OF FAILURE OF THE ISSUER TO PROVIDE INFORMATION. The Issuer shall give notice in a timely manner to EMMA of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Issuer to comply with any provision of this Agreement, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Agreement. The beneficial owners of 25% or more in principal amount of the Bonds outstanding may challenge the adequacy of the information provided under this Agreement and seek specific performance by court order to cause the Issuer to provide the information as required by this Agreement. A default under this Agreement shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Agreement in the event of any failure of the Issuer to comply with this Agreement shall be an action to compel performance.

7. AMENDMENTS; WAIVER. Notwithstanding any other provision of this Agreement, the Issuer by resolution or ordinance authorizing such amendment or waiver, may amend this Agreement, and any provision of this Agreement may be waived, if:

(a) (i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, including without limitation, pursuant to a "no-action" letter issued by the Commission, a change in law, or a change in the identity, nature, or status of the Issuer, or type of business conducted; or

(ii) This Agreement, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(b) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined either by parties unaffiliated with the Issuer (such as the Trustee), or by approving vote of Bondholders pursuant to the terms of the Resolution at the time of the amendment or waiver.

In the event that the Commission or the MSRB or other regulatory authority shall approve or require Annual Financial Information Disclosure or Material Events Disclosure to be made to a central post office, governmental agency or similar entity other than EMMA or in lieu of EMMA, the Issuer shall, if required, make such dissemination to such central post office, governmental agency or similar entity without the necessity of amending this Agreement.

8. TERMINATION OF UNDERTAKING. The Undertaking of the Issuer shall be terminated hereunder if the Issuer shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds under the Resolution. The Issuer shall give notice to EMMA in a timely manner if this Section is applicable.

9. DISSEMINATION AGENT. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

10. ADDITIONAL INFORMATION. Nothing in this Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Material Event, in addition to that which is required by this Agreement. If the Issuer chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future disclosure or notice of occurrence of a Material Event. If the Issuer is changed, the Issuer shall disseminate such information to EMMA.

11. BENEFICIARIES. This Agreement has been executed in order to assist the Participating Underwriters in complying with the Rule; however, this Agreement shall inure solely to the benefit of the Issuer, the Dissemination Agent, if any, and the beneficial owners of the Bonds, and shall create no rights in any other person or entity.

12. RECORDKEEPING. The Issuer shall maintain records of all Annual Financial Information Disclosure and Material Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

13. ASSIGNMENT. The Issuer shall not transfer its obligations under the Resolution unless the transferee agrees to assume all obligations of the Issuer under this Agreement or to execute an Undertaking under the Rule.

14. GOVERNING LAW. This Agreement shall be governed by the laws of the State.

Dated the date first above written.

TIMPANOGOS SPECIAL SERVICE DISTRICT

By_____
Chair

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

"Annual Financial Information" means financial information and operating data of the type contained in the Official Statement under the captions, "SUMMARY FINANCIAL INFORMATION" and "WASTEWATER COLLECTION AND TREATMENT SYSTEM–Connections, Flows and Loadings–*Connections,"* exclusive of Audited Financial Statements.

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to EMMA or filed with the Commission. If the information included by reference is contained in a Final Official Statement, the Final Official Statement must be available on EMMA; the Final Official Statement need not be available from the Commission. The Issuer shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be submitted to EMMA by 180 days after the last day of the Issuer's fiscal year. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included.

Audited Financial Statements will be prepared in accordance with Government Accounting Standards Board principles. Audited Financial Statements will be submitted to EMMA within 30 days after availability to Issuer.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Agreement, the Issuer will disseminate a notice of such change as required by Section 4.

EXHIBIT II

EVENTS WITH RESPECT TO THE BONDS
FOR WHICH MATERIAL EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions or events affecting the tax-exempt status of the security
7. Modifications to the rights of security holders
8. Bond calls
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities
11. Rating changes

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF CHAPMAN AND CUTLER LLP]

[TO BE DATED CLOSING DATE]

Re: $11,680,000
Timpanogos Special Service District
Sewer Revenue and Refunding Bonds,
Series 2010A

$49,955,000
Timpanogos Special Service District
Taxable Sewer Revenue Bonds,
Series 2010B
(Build America Bonds–Issuer Subsidy)

We hereby certify that we have examined certified copy of the proceedings of record of the Timpanogos Special Service District, a political subdivision of the State of Utah (the *"District"*), in connection with the issuance on this date of its Sewer Revenue and Refunding Bonds, Series 2010A in the aggregate principal amount of $11,680,000 (the *"Series 2010A Bonds"*) and Taxable Sewer Revenue Bonds, Series 2010B (Build America Bonds–Issuer Subsidy) in the aggregate principal amount of $49,955,000 (the *"Series 2010B Bonds"* and, collectively with the Series 2010A Bonds, the *"Bonds"*). The Bonds are authorized to be issued pursuant to Resolution 1994-04 Providing for the Issuance of Sewer Revenue Bonds, adopted May 11, 1994, as supplemented and amended (the *"Master Resolution"*), and Supplemental Resolutions relating to the respective Bonds, each adopted February 18, 2010 (the *"Supplemental Resolutions"* and, together with the Master Resolution, the *"Resolution"*).

The Series 2010A Bonds are dated the date hereof and mature on June 1 of each of the years, and bear interest, as follows:

JUNE 1 OF THE YEAR	AMOUNT MATURING	INTEREST RATE
2011	$1,000,000	2.00%
2012	1,625,000	2.50
2013	1,690,000	5.00
2014	1,775,000	5.00
2015	1,865,000	4.00
2016	1,825,000	3.00
2017	1,900,000	5.00

The Series 2010B Bonds are dated the date hereof and mature on June 1 of each of the years, and bear interest, as follows:

JUNE 1 OF THE YEAR	AMOUNT MATURING	INTEREST RATE
2018	$ 1,980,000	4.69%
2019	2,040,000	4.89
2020	2,100,000	5.09
2021	2,175,000	5.19
2022	2,250,000	5.34
2023	2,335,000	5.54
2024	2,420,000	5.69
2030	16,870,000	6.50
2035	17,785,000	6.68

The Bonds are subject to redemption prior to maturity at the times, in the manner and upon the terms set forth in each of the Bonds. The Bonds are issuable as fully-registered bonds in the denomination of $5,000 and any integral multiple thereof.

The Series 2010A Bonds are being issued under the authority of Special Service District Act, Title 17D, Chapter 1, Utah Code; the Local Government Bonding Act, Chapter 14 of Title 11, Utah Code; the Utah Refunding Bond Act, Chapter 27 of Title 11, Utah Code; and other applicable provisions of the law (collectively, the *"Act"*), for the purpose of financing certain improvements to the District's sewer system, (b) refunding the District's outstanding Sewer Revenue Bonds, Series 1994, satisfying a debt service reserve requirement and paying certain costs related to the issuance of the Bonds. The Series 2010B Bonds are being issued under the authority of the Act for the purpose of financing certain improvements to the District's sewer system, satisfying a debt service reserve requirement and paying certain costs related to the issuance of the Bonds.

Based on such examination, we are of the opinion that such proceedings show lawful authority for the issuance of the Bonds under the laws of the State of Utah (the *"State"*) now in force. It is further our opinion that:

1. The District has the power under the Act to enter into and perform its obligations under the Resolution and to issue the Bonds for the purposes set forth therein.

2. The Resolution has been duly authorized, executed and delivered by the District and constitutes the valid and binding obligation of the District enforceable in accordance with its terms, subject to the limitations set forth below. The Resolution creates the valid pledge which it purports to create of the Revenues and the other moneys, securities and funds held or set aside under the Resolution, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution (including the payment of operation and maintenance costs).

3. The Bonds are valid and binding special obligations of the District, enforceable in accordance with their terms and the terms of the Resolution, subject to the limitations set forth below. The Bonds are entitled to the benefits of the Resolution and the Act. The Bonds have been duly and validly authorized and issued in accordance with law and the Resolution.

4. The Resolution grants to the holders of the Bonds, and to the holders of any obligations hereafter issued on a parity therewith in accordance with the provisions of the Resolution, a valid lien on and pledge of the Revenues derived by the Issuer from the operation and ownership of the System, after payment from such Revenues (and certain other funds of the Issuer) of Operation and Maintenance Costs (as defined in the Resolution), and no further action on the part of the District or any other party is required to perfect such lien or the interest of the holders of the Bonds therein.

5. All actions, conditions and things required by the constitution and laws of the State of Utah to happen, exist and be performed precedent to the sale and issuance of the Bonds have been complied with.

6. Subject to the condition that the District complies with certain covenants, under present law, interest on the Series 2010A Bonds (i) is excludable from gross income of the owners thereof for federal income tax purposes; and (ii) is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended (the *"Code"*), but we express no opinion as to whether interest on the Series 2010A Bonds is taken into account in computing adjusted current earnings, which is used as an adjustment in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such covenants could cause interest on the Series 2010A Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2010A Bonds. Ownership of the Series 2010A Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Series 2010A Bonds.

7. Under present law, interest on the Series 2010B Bonds is not excludable from gross income of the owners thereof for federal income tax purposes. Ownership of the Series 2010B Bonds may result in other federal income tax consequences to certain taxpayers. Bondholders should consult their own tax advisors concerning tax consequences of ownership of the Series 2010B Bonds.

8. Under the laws of the State of Utah, as presently enacted and construed, interest on the Bonds is exempt from taxes imposed by the Utah Individual Income Tax Act. We express no opinion with respect to any other taxes imposed by the State of Utah or any political subdivision thereof. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

We further certify that we have examined the form of bonds prescribed in the Resolution for the Bonds and find the same to be in due form of law.

As Bond Counsel, we express no opinion herein as to the accuracy, adequacy or completeness of any information furnished to any person in connection with any offer or sale of the Bonds.

Enforceability of the Bonds and the Resolution may be limited (a) by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights generally or usual equity principles in the event equitable remedies should be sought and (b) by the exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of America of the power delegated to it by the federal constitution, to the extent that the obligations of the District under the Bonds and the Resolution are subject to the exercise of such powers.

In rendering this opinion, we have relied upon certifications of the District with respect to certain material facts solely within the District's knowledge. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion, and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX E

[SPECIMEN MUNICIPAL BOND INSURANCE POLICY]

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: $ in aggregate principal amount of

Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) ("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. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.
(FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.)

By _____
Authorized Officer

(212) 826-0100

Form 500NY (5/90)

SPECIMEN