

PRELIMINARY OFFICIAL STATEMENT, DATED FEBRUARY 24, 2012*

NEW ISSUE
FULL-BOOK ENTRY

RATINGS: S&P: "AA+"
Fitch: "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 2012B Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In the opinion of Bond Counsel, under existing laws of the State of Utah, as presently enacted and construed, interest on the Series 2012B Bonds is exempt from taxes imposed by the Utah Individual Income Tax Act. See "TAX EXEMPTION" herein for a more complete discussion.



METROPOLITAN WATER DISTRICT OF SALT LAKE & SANDY (UTAH)

\$11,815,000** WATER REVENUE REFUNDING BONDS, SERIES 2012B

DATED: Date of Delivery

DUE: As shown on the inside cover

The Metropolitan Water District of Salt Lake & Sandy (Utah) (the "District") Water Revenue Refunding Bonds, Series 2012B (the "Series 2012B 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"). Purchases of the Series 2012B Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. Beneficial Owners of the Series 2012B Bonds will not be entitled to receive physical delivery of bond certificates so long as the book-entry system for the Series 2012B Bonds is in effect. Interest on the Series 2012B Bonds is payable on each January 1 and July 1, commencing July 1, 2012. So long as DTC or its nominee is the registered owner of the Series 2012B Bonds, payments of the principal of and interest on such Series 2012B Bonds will be made directly to DTC. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See "THE SERIES 2012B BONDS — Book-Entry System" herein.

The Series 2012B Bonds are being issued for the purpose of refunding certain outstanding bonds of the District, financing the acquisition and construction of certain improvements to the District's water system, and paying costs of issuance of the Series 2012B Bonds.

The Series 2012B Bonds are not subject to redemption prior to maturity.

The Series 2012B Bonds are special limited obligations of the District, and the principal of and interest on the Series 2012B Bonds are payable solely from and secured solely by a pledge and assignment of the Revenues derived by the District from its water system and other funds pledged under the Bond Resolution on a parity with certain outstanding obligations of the District. THE SERIES 2012B BONDS ARE NOT AN OBLIGATION OF THE STATE OF UTAH OR ANY POLITICAL SUBDIVISION THEREOF OR ANY ENTITY OTHER THAN THE DISTRICT, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT OR THE STATE OF UTAH OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED FOR THE PAYMENT OF THE SERIES 2012B BONDS.

See inside cover for maturity schedule

The Series 2012B Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Chapman and Cutler LLP, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by Chapman and Cutler LLP in its capacity as disclosure counsel to the District. Certain legal matters will be passed upon for the District by Snow, Christensen & Martineau, counsel to the District. Ballard Spahr LLP will serve as counsel to the Underwriters in connection with the issuance of the Bonds.

It is expected that the Series 2012B Bonds in book-entry-only form will be available for delivery through the facilities of DTC on or about April 3, 2012.

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.

Wells Fargo Securities

Citigroup

This Official Statement is dated _____, 2012, and the information contained herein speaks only as of such date.

* This Preliminary Official Statement, dated February 22, 2012, relates to the Series 2012B Bonds and, with respect to such bonds, updates and supersedes the Preliminary Official Statement dated January 25, 2012 (the "2012A/B Preliminary Official Statement"), which provided information with respect to both the District's Water Revenue Project and Refunding Bonds, Series 2012A (the "Series 2012A Bonds") and the Series 2012B Bonds. Except for the exclusion of certain information regarding the Series 2012A Bonds and the inclusion of certain final pricing information with respect to the Series 2012A Bonds, the information contained in this Preliminary Official Statement is substantially identical to the information contained in the 2012A/B Preliminary Official Statement.

** Preliminary; subject to change.

METROPOLITAN WATER DISTRICT OF SALT LAKE & SANDY (UTAH)

\$11,815,000*
WATER REVENUE REFUNDING BONDS,
SERIES 2012B

| <u>DUE</u> <u>JULY 1</u> | <u>PRINCIPAL</u> <u>AMOUNT*</u> | <u>INTEREST</u> <u>RATE</u> | <u>YIELD</u> | <u>CUSIP**</u> |
|-----------------------------|------------------------------------|--------------------------------|--------------|----------------|
| 2013 | \$ 970,000 | % | % | |
| 2014 | 990,000 | | | |
| 2015 | 1,010,000 | | | |
| 2016 | 1,055,000 | | | |
| 2017 | 1,055,000 | | | |
| 2018 | 1,100,000 | | | |
| 2019 | 1,140,000 | | | |
| 2020 | 1,195,000 | | | |
| 2021 | 1,250,000 | | | |
| 2022 | 1,300,000 | | | |
| 2023 | 750,000 | | | |

* Preliminary; subject to change.

** The above referenced CUSIP numbers have been assigned by an independent company not affiliated with the parties to this bond transaction and are included solely for the convenience of the holders of the Series 2012B Bonds. None of the District, the Trustee or the Underwriters is responsible for the selection or uses of such CUSIP numbers, and no representation is made as to its correctness on the Series 2012B Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2012B Bonds as a result of various subsequent actions including, but not limited to, a refunding of the Series 2012B Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities.

METROPOLITAN WATER DISTRICT OF SALT LAKE & SANDY
WATER REVENUE REFUNDING BONDS,
SERIES 2012B

Metropolitan Water District of Salt Lake & Sandy
3430 East Danish Road
Cottonwood Heights, Utah 84093

BOARD OF TRUSTEES

| | |
|-------------------|------------|
| John S. Kirkham | Chair |
| Tom Godfrey | Vice Chair |
| Lee Kapaloski | Secretary |
| David L. Buhler | Trustee |
| Patricia Comarell | Trustee |
| Kathy W. Loveless | Trustee |
| Donald Y. Milne | Trustee |

STAFF

| | |
|--------------------|---------------------------|
| Michael L. Wilson | General Manager |
| Michael J. DeVries | Assistant General Manager |
| Annalee Munsey | Clerk |
| Sonya Shepherd | Accountant |

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Los Angeles, California 90071

No dealer, broker, salesman or other person has been authorized by the District or by Wells Fargo Securities or Citigroup Global Markets Inc. (the “*Underwriters*”) to give any information or to make any representations with respect to the offering described herein, other than as contained in this Official Statement, and if given or made such information or representations may not be relied upon as having been authorized by the District or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2012B Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been furnished by the District and DTC and includes information obtained from other sources which 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.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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.

In connection with the offering of the Series 2012B Bonds, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Series 2012B Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT RELATING TO

METROPOLITAN WATER DISTRICT OF SALT LAKE & SANDY

\$11,815,000*

**WATER REVENUE REFUNDING BONDS,
SERIES 2012B**

INTRODUCTION

GENERAL

This Official Statement, which includes the cover page and the appendices attached hereto, contains information concerning (i) the Metropolitan Water District of Salt Lake & Sandy (the “*District*”) and (ii) the District’s Master Resolution Providing for the Issuance of Water Revenue Bonds, adopted by the Board of Trustees of the District on April 29, 2002, as previously supplemented and amended (the “*Master Resolution*”), and as further supplemented by a Supplemental Resolution, adopted on January 23, 2012 (the “*Supplemental Resolution*” and, together with the Master Resolution, the “*Bond Resolution*”), authorizing the issuance of the District’s \$11,815,000* aggregate principal amount of Water Revenue Refunding Bonds, Series 2012B (the “*Series 2012B Bonds*”), and (iii) the security for the Series 2012B Bonds. Capitalized terms used but not defined herein have the meanings assigned to such terms in APPENDIX B—CONFORMED COPY OF MASTER RESOLUTION.

The District expects to deliver the Series 2012B Bonds on April 3, 2012.

THE DISTRICT

The District exists under, and was organized in 1935 under, the provisions of the Metropolitan Water District Act, now Title 17B, Chapter 2a, Part 6, Utah Code Annotated 1953, as amended, and other applicable provisions of Title 17B, Chapter 2a Utah Code Annotated 1953, as amended. The District functions as a supplemental wholesale provider of water to Salt Lake City, Utah (“*Salt Lake*”) and Sandy City, Utah (“*Sandy*”). The District supplies approximately 35% to 50% of the treated water used by Salt Lake each year and approximately 50% to 75% of the treated water used by Sandy each year. The District obtains its principal water supply through its ownership interest in the Provo River Water Users Association. The District also has two accepted petitions for Central Utah Project Bonneville Unit water. The District owns and operates two water treatment plants and owns a 2/7 undivided interest in a third water treatment plant. The District owns or has rights to utilize capacity in various

* Preliminary; subject to change.

reservoirs and aqueducts and other water facilities. The District also treats water that belongs to Salt Lake and Sandy. For additional information regarding the District, see “THE DISTRICT” below.

PURPOSE OF THE SERIES 2012B BONDS

The Series 2012B Bonds are being issued for the purpose of refunding, in advance of their maturity, certain Refunded Bonds (defined below) and paying costs of issuance of the Series 2012B Bonds.

See “PLAN OF REFUNDING” below.

PLAN OF REFUNDING

A portion of the proceeds of the Series 2012B Bonds will be deposited in trust in an escrow account with Zions First National Bank (the “*Escrow Agent*”), as escrow agent and as paying agent to refund the \$13,020,000 aggregate principal amount of the District’s outstanding Water Revenue Refunding Bonds, Series 2002B maturing on or after July 1, 2013 (the “*Refunded Bonds*”). Proceeds of the Series 2012A Bonds deposited in the escrow account with respect to the Refunded Bonds will be used to purchase non-callable direct full faith and credit obligations of the United States of America (the “*Government Obligations*”) that are sufficient, together with the interest earnings thereon and uninvested cash, to pay the principal of, and interest on, the Refunded Bonds on July 1, 2012 (the “*Redemption Date*”), the redemption date for the Refunded Bonds.

The Refunded Bonds will be redeemed on the Redemption Date at a price of 100% of the principal amount thereof plus accrued interest thereon to the applicable redemption dates.

Certain mathematical computations regarding the sufficiency of and the yield on the investments held in the escrow accounts will be verified by Grant Thornton LLP, Minneapolis, Minnesota, Certified Public Accountants. See “ESCROW VERIFICATION” below.

SECURITY FOR THE SERIES 2012B BONDS

The Series 2012B Bonds will be secured by a pledge of (i) the Revenues (after payment of Operation and Maintenance Costs), (ii) the funds established by the Bond Resolution (other than the Operation and Maintenance Fund and any Rebate Fund), including the investments thereof, if any, and (iii) the proceeds from the sale of the Series 2012B Bonds. The Series 2012B Bonds are special obligations of the District payable solely from the Revenues, moneys, securities and funds pledged therefor in the Bond Resolution, on a parity with certain outstanding obligations of the District and any future obligations entered into by the District under the Bond Resolution. Neither the faith and credit nor the taxing power of the District or the State of Utah or any political subdivision thereof is pledged for the payment of the Series 2012B Bonds. The Bond Resolution does not pledge any property constituting part of the hereinafter defined System.

OTHER BONDS

The District has outstanding \$246,280,000* million of water revenue bonds issued under the Bond Resolution (the “*Outstanding Bonds*”). The Series 2012B Bonds, the Outstanding Bonds and any additional obligations issued in the future under the Bond Resolution (collectively, the “*Bonds*”) are secured on a parity basis by the Revenues derived by the District from its water collection, conservation, development, storage, treatment, supply, transportation and distribution system (the “*System*”), subject to the payment of Operation and Maintenance Costs.

The Bond Resolution does not limit the amount of additional Bonds that may be issued, but requires the District to satisfy certain historical and prospective revenue tests, as more fully discussed under “SECURITY FOR THE SERIES 2012B BONDS — Additional Bonds” below.

RATE AND TAX COVENANTS

The District covenants in the Bond Resolution that, so long as any Bonds remain outstanding, the District will annually establish and collect rates, charges and fees for System services which for the forthcoming year, together with other available income, are reasonably expected to produce Net Revenues (Revenues, less transfers from the Revenue Fund to pay Operation and Maintenance Costs) that are at least equal to 115% of the Aggregate Debt Service for such year on all Bonds plus certain other amounts due under the Bond Resolution. See “HISTORICAL AND PROJECTED RESULTS OF OPERATIONS AND DEBT SERVICE COVERAGE” below.

The District further covenants in the Bond Resolution that the District will annually levy and collect so much of the tax of .0005 (or the maximum amount of such different annual levy as may be hereafter provided for by law) of the assessed valuation of taxable property within the District for which provision is made in the Act as shall be necessary to pay Operation and Maintenance Costs of the System and to deposit the proceeds of such tax, when collected, into the operation and maintenance fund to be used to pay Operation and Maintenance Costs. See “SECURITY FOR THE SERIES 2012B BONDS — Rate and Tax Covenants” herein.

Property Taxes are not pledged as security for the Bonds.

NO DEBT SERVICE RESERVE

There is no Debt Service Reserve Requirement with respect to the Series 2012B Bonds.

* Excludes the Refunded Bonds and the Bonds to be refunded by the District’s \$107,645,000 aggregate principal amount of Water Revenue Project and Refunding Bonds, Series 2012A (the “*Series 2012A Bonds*”). Includes the Series 2012A Bonds. The District entered into a contract to sell the Series 2012A Bonds to the Underwriters and plans to issue the Series 2012A Bonds on March 1, 2012 for the purpose of refunding certain of the District’s outstanding bonds in order to achieve debt service savings and to finance the costs of certain System facilities.

CONTINUING DISCLOSURE

The District will enter into a Continuing Disclosure Undertaking for the benefit of the beneficial owners of the Series 2012B Bonds to provide certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("*EMMA*") pursuant to the requirements of Securities and Exchange Commission Rule 15c2-12. See "CONTINUING DISCLOSURE UNDERTAKING" and APPENDIX D to this Official Statement.

OTHER INFORMATION

Brief descriptions of the District and summaries of certain provisions of the Series 2012B Bonds, the Bond Resolution, and certain other documents are included in this Official Statement, including the Appendices hereto. Information regarding the District is included herein as well as in APPENDIX A hereto, which is incorporated herein by reference. The proposed form of the opinion of Bond Counsel is included in APPENDIX C hereto. The descriptions herein of the Bond Resolution are qualified in their entirety by reference to such documents, and the descriptions herein of the Series 2012B Bonds are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the aforesaid documents. All such descriptions are further qualified in their entirety by reference to laws and principles of equity relating to or affecting the enforcement of creditors' rights generally. Copies of such documents may be obtained from the principal corporate trust office of the Trustee in Salt Lake City, Utah and, during the offering period, by contacting Wells Fargo Securities and Citigroup Global Markets Inc. (the "*Underwriters*").

THE SERIES 2012B BONDS

GENERAL

The Series 2012B Bonds will be dated their date of original issuance and delivery, and will bear interest from that date, payable semiannually on January 1 and July 1 of each year, commencing July 1, 2012. The Series 2012B Bonds will be issued initially only in book-entry form. The Series 2012B Bonds will mature on July 1 of the years and in the principal amounts set forth on the cover page of this Official Statement. Interest on the Series 2012B Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Purchases of the Series 2012B Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through, DTC participants. Beneficial Owners of the Series 2012B Bonds will not be entitled to receive physical delivery of bond certificates so long as the book-entry system for the Series 2012B Bonds is in effect. So long as DTC or its nominee is the registered owner of the Series 2012B Bonds, payments of the principal of and interest on such Series 2012B Bonds will be made directly to DTC. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See "Book-Entry System" below.

Payment of interest on the Series 2012B Bonds shall be made to the person who is the registered owner of record as of the close of business on the fifteenth day of the calendar month preceding each interest payment date or, if such day shall not be a business day, the business day immediately succeeding such date (the “*Record Date*”).

NO REDEMPTION

The Series 2012B Bonds are not subject to redemption prior to maturity.

BOOK-ENTRY SYSTEM

The Depository Trust Company (“*DTC*”) will act as securities depository for the Series 2012B Bonds. The ownership of one fully-registered Series 2012B 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*”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com**.

Purchases of the Series 2012B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2012B Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2012B 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 2012B 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 2012B Bonds, except in the event that use of the book-entry system for the Series 2012B Bonds is discontinued.

To facilitate subsequent transfers, all Series 2012B 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 2012B 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 2012B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2012B 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 2012B Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2012B Bonds, such as defaults and proposed amendments to the Series 2012B Bond documents. For example, Beneficial Owners of the Series 2012B Bonds may wish to ascertain that the nominee holding the Series 2012B 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2012B 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 2012B 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 2012B 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 2012B 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 2012B 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 2012B 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 2012B 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.

SECURITY FOR THE SERIES 2012B BONDS

PLEDGE OF THE BOND RESOLUTION

The Series 2012B Bonds, the Outstanding Bonds, and any additional Bonds issued under the Bond Resolution, are equally and ratably secured by a pledge of Revenues derived by the District from the operation of the System (after payment of Operation and Maintenance Costs), the funds established by the Bond Resolution (other than any Rebate Fund and the Operation and Maintenance Fund), and the proceeds of the sale of the Bonds, including the investments thereof. The Series 2012B Bonds and other Bonds issued under the Bond Resolution are special obligations of the District, payable solely from the Revenues, moneys, securities and funds pledged therefor in the Bond Resolution. The pledge of the Revenues effected by the Bond Resolution is subject to the provisions of the Bond Resolution permitting the application of the District's Revenues upon the terms and for the purposes specified therein, including payment of Operation and Maintenance Costs prior to payment of debt service on the Bonds.

Neither the faith and credit nor the taxing power of the District or the State of Utah or any political subdivision thereof is pledged as security for the Series 2012B Bonds. The Series 2012B Bonds do not constitute general obligations of the District or the State of Utah or any political subdivision thereof.*

The Bond Resolution does not pledge, mortgage or encumber any physical properties that constitute a part of the System.

*

The District covenants in the Bond Resolution to levy certain property taxes to pay Operation and Maintenance Costs, and annually levies such property taxes to pay a significant portion of such Operation and Maintenance Costs, as described below under "Rate and Tax Covenants," but such taxes are not pledged as security for the Bonds.

FUNDS AND ACCOUNTS; FLOW OF FUNDS

The Bond Resolution establishes a Revenue Fund and an Operation and Maintenance Fund, which are held by the District, and a Construction Fund, consisting of one or more project accounts, and a Bond Fund, consisting of a Debt Service Account and a Debt Service Reserve Account, which are held by the Trustee. The Trustee establishes a separate subaccount in the Debt Service Account for each series of Bonds issued under the Bond Resolution and, if a debt service reserve requirement is established for a series of Bonds, a separate subaccount in the Debt Service Reserve Account for such Bonds. There is no debt service reserve requirement for the Series 2012B Bonds.

All Revenues received by the District are required to be deposited promptly into its Revenue Fund. In addition, the proceeds of any taxes levied by the District to pay the Operation and Maintenance Costs of the System are to be deposited into the Operation and Maintenance Fund. Operation and Maintenance Costs are required to be paid by the District when due from amounts on deposit in its Operation and Maintenance Fund. The Bond Resolution authorizes the District to transfer amounts from its Revenue Fund to the Operation and Maintenance Fund to the extent necessary to maintain a working capital amount on deposit in the Operation and Maintenance Fund.

On or before the last business day of each month, the District is required to transfer amounts available in the Revenue Fund after payment of Operation and Maintenance Costs as follows:

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 Bonds for which such subaccount was established; and

second, to each of the series subaccounts in the Debt Service Reserve Account, the amount, if any, 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, at the time and in the manner prescribed in the Bond Resolution.

Moneys remaining in the District's Revenue Fund after the foregoing transfers at the end of each month may be applied by the District, free and clear of the lien of the Bond Resolution, to various purposes specified in the Bond Resolution.

DEBT SERVICE RESERVE

There is no Debt Service Reserve Requirement with respect to the Series 2012B Bonds.

RATE AND TAX COVENANTS

The District has covenanted in the Bond Resolution that, so long as any Bonds remain outstanding, the District will annually establish and collect rates and charges for the water services it provides which, for the forthcoming year, together with other available income, are

reasonably expected to produce Net Revenues that are equal to at least 115% of the Aggregate Debt Service for such year on all Bonds plus certain other amounts due under the Bond Resolution, if any (collectively, the “*Rate Covenant Requirement*”). See Section 6.12 in the CONFORMED COPY OF MASTER RESOLUTION in APPENDIX B hereto.

In addition, the District covenants in the Bond Resolution that, so long as any Bonds are outstanding, the District will annually levy and collect so much of the tax of .0005 (or the maximum amount of such different annual levy as may be hereafter provided for by law) of the assessed valuation of taxable property within the District for which provision is made in the Act, as shall be necessary to pay Operation and Maintenance Costs of the System and other obligations payable from such tax. TAX REVENUES OF THE DISTRICT ARE NOT PLEDGED TO THE PAYMENT OF THE SERIES 2012B BONDS OR OTHER BONDS OUTSTANDING UNDER THE BOND RESOLUTION.

The District levies property taxes each year in order to provide for payment of a substantial amount of the District’s Operation and Maintenance Costs. For the fiscal year ended June 30, 2011, property taxes constituted approximately 28% of the District’s income and equaled approximately 78% of the District’s total Operation and Maintenance Costs.

The District works closely with Salt Lake and Sandy in determining rate increases and increases in tax revenues. The process for increasing rates or tax revenues is set forth by Utah law, which requires published notice and a public hearing, and by District policy. Currently, the District’s Board is authorized to establish rates and increases in tax revenues. Beginning in fiscal year 2015, increases in tax revenues will require the formal consent and approval of the City Councils of Salt Lake and Sandy.

ADDITIONAL BONDS

Additional Bonds may be issued or incurred under the Bond Resolution by the District only upon the satisfaction of various conditions specified therein. The amount of additional Bonds that may be issued under the Bond Resolution is not limited by law or the Bond Resolution.

In connection with the issuance of additional Bonds to finance the construction of a Project, the District is required to file, among other things, with the Trustee either (A) a certificate of the District to the effect that Net Revenues for the latest fiscal year for which audited financial statements are available are, for each fiscal year during which the additional Bonds are scheduled to be outstanding, not less than the Rate Covenant (as described above under “Rate and Tax Covenants”) with respect to all Bonds to be outstanding under the Bond Resolution upon the issuance of such additional bonds; or (B)(I) an engineer’s certificate 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 Bonds, if interest on the additional Bonds is capitalized to the estimated date of completion or (b) each fiscal year to and including the second fiscal year succeeding the estimated completion date of the project, if interest during construction is not capitalized; and (II) a certificate of the District to the effect

that such Estimated Net Revenues for each of such fiscal years will be not less than the Rate Covenant.

The District may also issue refunding Bonds on a parity with the Series 2012B Bonds to refund all or a part of any outstanding Bonds, subject to certain provisions and conditions specified in the Bond Resolution, including the filing with the Trustee of either:

(a) a certificate of the District setting forth for each fiscal year to and including the fiscal year next preceding the date of the latest maturity of the debt to be refunded or the proposed Refunding Bonds, whichever is later, the Aggregate Debt Service for the debt to be refunded and the proposed Refunding Bonds, and stating that the Aggregate Debt Service on the Refunding Bonds for each such fiscal year is no greater than 110% of the Aggregate Debt Service on the debt to be refunded for each such Fiscal Year; or

(b) the following documents: (i) 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 second fiscal year succeeding the issuance of such Refunding Bonds, and (ii) a 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 clause (i) and showing that the Estimated Net Revenues as shown in such Engineer's Certificate for each of such fiscal years are not less than the Rate Covenant Requirement for each of such fiscal years with respect to all Series of Bonds and all Contracts that the District anticipates will be outstanding and all Repayment Obligations that the District anticipates will be outstanding, in each case immediately after the issuance of the proposed Refunding Bonds."

The District plans to issue up to \$12 million of additional Bonds in fiscal year 2015 to complete the Terminal Reservoir Replacement Project (defined below).

See Article II in the CONFORMED COPY OF MASTER RESOLUTION in APPENDIX B hereto.

THE DISTRICT

The District is a metropolitan water district that exists under, and was organized in 1935 under the provisions of the Metropolitan Water District Act, now Title 17B, Chapter 2a, Part 6, Utah Code Annotated 1953, as amended, and other applicable provisions of Title 17B, Chapter 2a Utah Code Annotated 1953, as amended. The District functions as a supplemental wholesale provider of water to Salt Lake and Sandy. The District supplies approximately 50% of the treated water used by Salt Lake each year and approximately 50% to 75% of the treated water used by Sandy each year. The District obtains its principal water supply through its ownership interest in the Provo River Water Users Association (the "*Association*"). The District also has two accepted petitions for Central Utah Project Bonneville Unit water. The District owns and operates two water treatment plants and owns a 2/7 undivided interest in a third water treatment plant. The District owns or has rights to utilize capacity in various reservoirs and aqueducts and

other water facilities. The District also treats water that belongs to Salt Lake and Sandy and transports water for others.

ORGANIZATION AND MANAGEMENT

The District is governed by a board of seven trustees (the “*Board*”), five of whom are appointed by the city council of Salt Lake and two of whom are appointed by the city council of Sandy. Trustees serve for four-year terms. Each trustee must be a registered voter, a resident of the boundaries of the District, a property taxpayer, and a resident of the retail service area of the appointing city. The Board elects a Chair, a Vice Chair and a Secretary from its membership and appoints a General Manager, Treasurer, General Counsel, and Clerk. Other staff personnel may be hired as directed by the Board.

The current members of the Board of Trustees and certain staff members are as follows:

| NAME | POSITION | TERM ENDS | REPRESENTING |
|--------------------|----------------------------|--------------|--------------|
| John S. Kirkham | Chair | January 2015 | Sandy |
| Tom Godfrey | Vice Chair | January 2013 | Salt Lake |
| Lee Kapaloski | Secretary | January 2014 | Salt Lake |
| David L. Buhler | Trustee | January 2013 | Salt Lake |
| Patricia Comarell | Trustee | January 2014 | Salt Lake |
| Kathy W. Loveless | Trustee | January 2015 | Salt Lake |
| Donald Y. Milne | Trustee | January 2013 | Sandy |
| Michael L. Wilson | General Manager, Treasurer | | Appointed |
| Michael J. DeVries | Assistant General Manager | | Appointed |
| Annalee Munsey | Clerk | | Appointed |

WATER SOURCES

Provo River Water Users Association/Provo River Project. The District derives its principal source of water through its ownership interest in the Association. The District owns 61,700 shares of the 100,000 authorized and outstanding shares of stock of the Association. These shares entitle the District to receive 61.7% of the Association’s annual water supply, or 61,700 acre-feet (“*AF*”) in most water years. The Association’s source of water supply is a beneficial interest in the water rights of the Provo River Project. These water rights include rights to divert, store and use waters of the Duchesne, Weber and Provo Rivers. Weber River water is diverted at the Weber River Diversion Dam and carried through the Enlarged Weber-Provo Diversion Canal, which has a capacity of 1,000 cubic feet per second (“*cfs*”), approximately nine miles to the Provo River. Duchesne River water is diverted at the Duchesne Diversion Dam and carried through the Duchesne Tunnel, which is six miles long and has a capacity of 600 cfs, to the Provo River.

The Association diverts and stores its Weber, Duchesne and Provo River water in Deer Creek Reservoir, which was created by the construction of Deer Creek Dam. Deer Creek Dam,

which was completed in 1941, is an earthen dam that was designed and constructed by the United States Bureau of Reclamation on the Provo River at the top of Provo Canyon, southeast of Salt Lake and approximately 19 miles east of Provo, Utah. The United States Bureau of Reclamation recently completed a detailed seismic review of the dam and repairs to the dam to bring it to current seismic standards. Deer Creek Reservoir has an active storage capacity of 152,564 AF. Under the terms of the “Water Distribution Plan for the Utah Lake Drainage Basin” adopted by the Utah State Engineer, the level of Utah Lake must be at a specific level before certain Provo River waters stored by the Association in Deer Creek Reservoir may be claimed and used by the Association. Utah Lake is expected to reach the described level except in times of extended drought.

The District’s stock subscription agreements with the Association entitle the District to certain capacity rights in the Provo Reservoir Canal, which carries water from the mouth of Provo Canyon approximately 24 miles to the District’s Point of the Mountain Water Treatment Plant located near the south end of Salt Lake Valley. From such point, the Provo Reservoir Canal extends to and beyond the Provo Reservoir Canal Siphon (the “*Siphon*”) and the Utah Lake Distributing Penstock (the “*Penstock*”). The Penstock is used by the District in some years to satisfy its obligation to deliver exchange water to the Utah Lake Distributing Company as an alternative to delivering water to such company by means of the District’s electric pumping station. The Siphon can deliver water to the Jordan Valley Water Treatment Plant in addition to, or substitution of, water delivered by means of the Jordan Aqueduct.

The lower two and one half miles of the Duchesne River has, together with various other portions of the Colorado River system, been designated by the Fish and Wildlife Service (“*F&WS*”) as critical habitat for four endangered Colorado River system fish, the Colorado Pikeminnow, the Humpback Chub, the Bonytail Chub and the Razorback Sucker (collectively, the “*Colorado fish*”). The Colorado fish are known to inhabit various locations in a number of western states. The lower five miles of the Provo River has been designated as critical habitat for the endangered June sucker, known to occur only in Utah Lake and the Provo River. In 1994, the F&WS issued a biological opinion that the operation of the Provo River Project was likely to jeopardize the continued existence of these fish. The 1994 biological opinion described reasonable and prudent alternatives that would likely prevent jeopardy. F&WS has issued separate recovery plans for the Colorado fish and the June sucker. Recovery efforts are proceeding under voluntary recovery implementation programs. A number of actions are being taken, or are being planned, by the federal, state and local program participants to gather scientific data, breed and stock fish, reduce the impacts of non-native species, and restore habitat. To date, species recovery efforts have not materially adversely impacted the District’s water supply.

The amount of water stored by the Association in any year could be impacted by a number of factors, including, but not limited to, precipitation, the condition and capacities of project facilities, the proper administration and exercise of water rights, state and federal statutes and regulations, and the level of Utah Lake.

The following table sets forth the amounts of water actually obtained by the District from the Association, for the fiscal years ended June 30 of the years shown below:

| YEAR | AMOUNT (Acre-Feet) |
|------|-----------------------|
| 2011 | 38,700 |
| 2010 | 40,321 |
| 2009 | 40,072 |
| 2008 | 79,996* |
| 2007 | 49,935 |

The Association is in the process of enclosing the Provo Reservoir Canal (the “*Provo Reservoir Canal Enclosure Project*”). Completion of this project is estimated to occur in 2012. The estimated cost of the project is \$150 million. The Provo Reservoir Canal Enclosure Project is being undertaken in order to, among other things, conserve water through the elimination of seepage and evaporation loss and improve water quality, operational efficiencies, security, and public safety with respect to the canal. The District’s portion of the cost of this project is approximately \$25 million, which it will pay through assessment payments to the Association over the next 24 years in the amounts of approximately \$2.9 million in 2012 and approximately \$1.5 million for each year thereafter.

Little Dell Project. The Little Dell Project is designed to provide an average estimated annual yield of 7,940 AF of water. The Little Dell Project, which was designed and constructed by the United States Army Corps of Engineers, is located on Dell Creek, a tributary to Parleys Creek east of Salt Lake, and includes an earthen dam, creating a reservoir with a capacity of approximately 20,500 AF of water. Pursuant to agreement, the regular Operation and Maintenance Costs of the Little Dell Project will be paid by Salt Lake. Salt Lake has the right to treat the District’s share of the water available from Little Dell Reservoir at Salt Lake’s Parleys Water Treatment Plant. The Little Dell Project has not generated, and is not expected to generate, annual revenues to the District.

Central Utah Project. The Central Utah Water Conservancy District (“*Central Utah*”) previously approved the District’s petition for an average annual supply of 20,000 AF of municipal and industrial system water from the Bonneville Unit of the Central Utah Project. Pursuant to such petition, blocks totaling 20,000 AF annually have become available to the District.

Ontario Drain Tunnel. The District has purchased a water right that yields approximately 3,900 AF of water annually from the Ontario Drain Tunnel. Sandy pays the District annual

* Increase due to seasonal timing and nature of the operations of the Jordan Narrows facilities. High demands in the early part (July and August) and the latter part (May and June) of FY 2008 coupled with use of Provo River Project water to operate the Jordan Narrows turbine contributed to the higher amount in FY 2008.

assessments that provide for the District's costs of Ontario Drain Tunnel water, whether or not the city uses the water.

Future Sources of Water. Central Utah and the United States are in the process of constructing the Utah Lake Drainage Basin Water Delivery System (the “ULS”), the final component of the Bonneville Unit of the Central Utah Project. Construction of the ULS began in 2007 and is expected to extend to 2021, subject to annual appropriations of federal funds by the United States Congress. The District has signed a petition for 8,600 AF of annual water supply from the ULS. The preferential right to purchase 5,900 AF of ULS water has been allocated between Salt Lake and Sandy by interlocal agreement. The agreement also specifies how the preferential right to the remaining 2,700 AF is to be allocated at a future point. As a part of the Provo Reservoir Canal Enclosure Project, the District turned back its right to 3,000 AF of the 8,600 AF of ULS water to Central Utah in exchange for a pro rata reduction in the District's payment obligations to Central Utah under the ULS petition and Central Utah's participation in funding the Provo Reservoir Canal Enclosure Project. Water conserved by the District due to the Provo Reservoir Canal Enclosure Project (consisting primarily of water that will no longer be lost to seepage in the Provo Reservoir Canal following enclosure of the canal) is expected to compensate for a large portion of the 3,000 AF of ULS water that has been turned back to Central Utah. The District's member cities have agreed to modify their preferential rights to ULS water accordingly. Pursuant to the interlocal agreement, each of Salt Lake and Sandy will reimburse the District, through annual assessments, for its share of the District's ULS payments, whether or not the city uses the water.

DISTRICT FACILITIES

Little Cottonwood Water Treatment Plant. The District's Little Cottonwood Water Treatment Plant treats all water from the Salt Lake Aqueduct belonging to the District, as well as water from Little Cottonwood and Bell Canyon Creeks belonging to Salt Lake and Sandy. An expansion of the Little Cottonwood Water Treatment Plant, which was completed in 2007, increased the treatment capacity of the plant from 113 million gallons per day (“MGD”)* to 143 MGD and enhanced the water treatment process. In addition, the District has completed construction of a nine-million-gallon finished water reservoir and other site improvements at the plant.

Point of the Mountain Water Treatment Plant. In 2007, the District completed construction of the Point of the Mountain Water Treatment Plant, which has a capacity of 70 MGD. The Point of the Mountain Water Treatment Plant can treat District water from all sources available or to become available to the District except for Little Dell water, Little Cottonwood Creek water and Bell Canyon Creek water. Water can be delivered to the Point of the Mountain Water Treatment Plant through the enclosed Provo Reservoir Canal or the Jordan Aqueduct. The District operates a water pump station at the Point of the Mountain Water Treatment Plant, which contains five pumps that transfer treated water from the Point of the

* One million gallons per day is equal to 1,120 acre feet per year.

Mountain Water Treatment Plant to the Little Cottonwood Water Treatment Plant and additional pumps that support plant operations.

Jordan Valley Water Treatment Plant. The Jordan Valley Water Treatment Plant, which is located in Salt Lake County, has a design capacity of 180 MGD. The Jordan Valley Water Treatment Plant is utilized to treat District water and the Jordan Valley Water Conservancy District water that is delivered through the Jordan Aqueduct system or the enclosed Provo Reservoir Canal. The District owns a 2/7 undivided interest in the plant and the reservoir (representing a capacity of 51 MGD), and the Jordan Valley Water Conservancy District owns the other 5/7 of such facilities (representing a capacity of 129 MGD). The Jordan Valley Water Conservancy District operates and maintains the Jordan Valley Water Treatment Plant pursuant to the terms of an Operation and Maintenance Agreement entered among the District, the Jordan Valley Water Conservancy District and Central Utah.

Aqueducts. The Salt Lake Aqueduct, which was completed in 1951, was designed and constructed by the United States Bureau of Reclamation pursuant to a contract between the District and the United States. The District has repaid construction costs incurred by the United States for the aqueduct, and pursuant to an act of Congress has received title to the aqueduct. The District has the exclusive right to utilize all of the capacity of the Salt Lake Aqueduct. The Salt Lake Aqueduct extends approximately 42 miles from the outlet of the Deer Creek Dam through the Little Cottonwood Water Treatment Plant to and including a 40-million-gallon terminal reservoir located in Salt Lake. See “Other District Facilities” below. The Salt Lake Aqueduct is 69 inches in diameter and has a capacity of 175 cfs.

Pursuant to contract, the District has acquired a perpetual right to the use of 2/7ths of the capacity of the Jordan Aqueduct, which extends 37 miles from north of the Utah Valley Water Purification Plant at Orem, Utah, to its terminus in Salt Lake County, where it connects to the Salt Lake water system. The Jordan Aqueduct system includes a terminal reservoir with a capacity of 100 million gallons. The Jordan Aqueduct has a design capacity of approximately 270 cfs.

In 2007, the District completed construction of the Point of the Mountain Aqueduct. The aqueduct consists of 2.5 miles of untreated water pipeline, which is 84 inches in diameter, and 12 miles of finished water pipeline, which is 60 inches in diameter. The Point of the Mountain Aqueduct carries water from the enclosed Provo Reservoir Canal and the Jordan Aqueduct to the Point of the Mountain Water Treatment Plant and connects the Point of the Mountain Water Treatment Plant to the Little Cottonwood Water Treatment plant.

Utah Lake Pump Station. The Utah Lake Pump Station, which is located in Utah County at the north end of Utah Lake, was originally constructed in the early 1900s. The District has utilized this facility via contract since 1958 in order to meet the District’s exchange obligations with Utah Lake Distributing Company. When Utah Lake is at low water levels, the Utah Lake Pump Station pumps water from Utah Lake into the Jordan River to provide water to irrigation users in Salt Lake County. In August 2011, the Utah Lake Water Users Association was created in order, in part, to facilitate the replacement of the Utah Lake Pump Station. The District now has a 17.6% (135 out of 769 shares) ownership interest in the Utah Lake Water Users

Association and its related facilities including the Utah Lake Pump Station, Turner Dam, and related infrastructure. The District's interest in the Utah Lake Water Users Association and its facilities is necessary to satisfy the District's obligation to deliver exchange water to the Utah Lake Distributing Company whether those deliveries are made via the Penstock or by means of the District's electric pumping station. Construction of the new Utah Lake Pump Station is estimated to cost approximately \$7.5 million and will take place during 2012 and 2013. The District's portion of the construction cost is estimated to be approximately \$1.5 million which the District plans to pay from currently available funds.

Other District Facilities. The District's other principal facilities include a 20 million-gallon treated water reservoir adjacent to the Point of the Mountain Water Treatment Plant, which receives water from both the Point of the Mountain Water Treatment Plant and the Little Cottonwood Water Treatment Plant; a 40 million-gallon raw water reservoir adjacent to the Point of the Mountain Water Treatment Plant; 40 million gallon terminal reservoir in Salt Lake located at the end of the Salt Lake Aqueduct (which will be replaced by a 48 million-gallon terminal reservoir (the "*Terminal Reservoir Replacement Project*"), a portion of the costs of which will be financed with a portion of the proceeds of the Series 2012A Bonds; a 10 million-gallon reservoir in Salt Lake County located adjacent to the Salt Lake Aqueduct; a 50% ownership and capacity interest in the 150th South Pipeline; pumps at the Little Cottonwood Water Treatment Plant, which are used to move water through the finished portion of the Salt Lake Aqueduct and the Little Cottonwood Conduit; and the Jordan Narrows Pumping Station, which provides irrigation water for agricultural purposes.

Capacity Assessments. In 2007, the District completed a \$250 million water infrastructure project (the "*Infrastructure Project*") for the purpose of meeting current and future water needs of Salt Lake and Sandy. The Infrastructure Project consists primarily of "new capacity" improvements, including a pipeline, the Point of the Mountain Water Treatment Plant, and the expansion of Little Cottonwood Water Treatment Plant. Salt Lake has a preferential right to use approximately 65% of the capacity of such facilities, and Sandy has a preferential right to the other approximately 35%. The cities have contracted to pay the District annual assessments in order to repay the District for their respective shares of all costs of the design, acquisition, construction and financing of such facilities. The cities are obligated to pay such assessments regardless of whether they use the capacity.

Similarly, the cities have entered into an interlocal agreement with the District pursuant to which each city will reimburse the District, through annual assessments, for its share of the District's ULS payments, whether or not the city uses the water; and Sandy has contracted with the District to pay annual assessments that provide for the District's costs of Ontario Drain Tunnel water, whether or not the city uses the water. See "WATER SOURCES—Ontario Drain Tunnel" and "—Future Sources of Water."

SALES OF WATER

The principal purchasers of the District's water are Salt Lake and Sandy. The District sells water to Salt Lake and Sandy at rates determined by the Board, to the extent needed to meet the difference between the cities' own water supplies and the demand for water in their water

service areas. Each of the cities has a preferential right to purchase all of the water supply of the District for domestic, municipal and other beneficial uses within the city's water service area at such rates as may be determined by the District.

Set forth below is a table summarizing water sales by the District for the fiscal years ended June 30 of the years shown below.

ANNUAL WATER SALES (FISCAL YEAR)

| YEAR | | SALT LAKE | SANDY | OTHER | TOTAL |
|------|------|-----------|-----------|---------|------------|
| 2011 | (\$) | 8,799,585 | 2,907,197 | 52,263 | 11,759,045 |
| | (AF) | 41,420 | 15,690 | 718 | 57,828 |
| 2010 | (\$) | 8,935,252 | 2,875,898 | 156,266 | 11,967,416 |
| | (AF) | 44,844 | 15,555 | 2,201 | 62,600 |
| 2009 | (\$) | 9,220,984 | 3,968,630 | 41,386 | 13,231,000 |
| | (AF) | 46,105 | 19,843 | 735 | 66,683 |
| 2008 | (\$) | 9,496,040 | 3,796,891 | 44,194 | 13,337,125 |
| | (AF) | 50,511 | 20,196 | 961 | 71,668 |
| 2007 | (\$) | 8,190,506 | 3,085,975 | 216,095 | 11,492,576 |
| | (AF) | 46,803 | 17,634 | 3,453 | 67,890 |

While the estimated population served by the District has increased, conscious efforts to reduce per capita consumption are ongoing. Similar efforts are taking place throughout the State of Utah to conserve water in order to plan for future population growth. In addition, both Salt Lake and Sandy have adopted conservation-rate-based rate structures.

LONG-TERM CONTRACTS AND AGREEMENTS

Obligations to the Association and the United States. The District owns 61,700 shares, out of a total of 100,000 outstanding shares, in the Association, a Utah nonprofit corporation. The District's ownership of 61,700 shares of Association stock allows the District to effectively elect 8 of 11 Association directors each year. The District's continued ownership of 15,200 shares of Association stock is contingent upon the District meeting its obligations to deliver Utah Lake and/or Provo River Project water to Utah Lake Distributing Company each year under a written exchange agreement with Utah Lake Distributing Company. That arrangement requires the District to operate and maintain, at the District's expense, the Jordan Narrows Pumping Station on the Jordan River near the point of the mountain.

The Association has contracted with the United States to repay the construction costs of, and operate and maintain, the Deer Creek Division of the Provo River Project (the "*Provo River Project*"), all pursuant to regulations promulgated by the United States Secretary of the Interior. The central features of the Deer Creek Division are the Deer Creek Dam and Reservoir. Each share of Association stock represents the right to call on a proportionate share of the water

available to the Association, up to one AF per share per year. Association shareholders have the qualified right to hold water over in Deer Creek Reservoir for use in subsequent years.

Each share of Association stock is assessable. The Association has made certain contractual commitments to assess Association shares in order to repay to the United States the costs of constructing the Provo River Project. All Association shareholders have agreed to pay any portion of the repayment obligation defaulted on by other shareholders. This contingent liability is estimated to be approximately \$665,000 as of June 30, 2011. Each year this amount decreases as the Association makes annual payments to the United States. In addition, assessments are made by the Association for Operation and Maintenance Costs and capital improvements. For the Association's fiscal year ending October 31, 2011, the sum of the assessments against the District's Association stock is \$20.95 per share for a total of \$1,292,615. Historical increases in assessments have averaged about 4% each year. Failure to pay assessments by a certain date can result in a public auction of all or some of the delinquent shares and the withholding of water by the Association.

Little Dell Project Agreement. The District entered into an agreement among the District, Salt Lake County and the United States of America, Department of the Army for the construction of the Little Dell Project and for the repayment of the construction costs of the project to the United States. All such construction costs have been repaid. Salt Lake has agreed to operate and pay routine maintenance costs of the Little Dell Project, at its expense. The District has an obligation for extraordinary maintenance costs and any rehabilitation required in the future.

The Central Utah Water Conservancy District Petition. The District is obligated under the take or pay petition with Central Utah for an average annual allotment of 20,000 AF of water from the Jordanelle Reservoir to pay 66% of the reimbursable Bonneville Unit project costs allocated by the United States to such 20,000 AF, and Central Utah will pay the remaining 34% of such reimbursable costs. The District will, in addition, pay an annual operation and maintenance charge per AF.

The Bonneville Unit construction costs to be allocated to the District's 20,000 AF cannot be determined until all features of the Central Utah Project have been completed and the total costs are ascertained. The projected cost to the District is \$148.56 per AF, together with an operation and maintenance charge per AF. Currently the operation and maintenance charge by Central Utah is \$8.24 per AF. The payment period for each 4,000 AF block received under this petition is 40 years.

FUTURE PROJECTS

In 2008, the District updated its Capital Improvement Plan to identify projects to be completed during the next 20 to 30 years. The District continues to review and update its needs for capital improvements via an internal asset management planning process. Anticipated projects include the Terminal Reservoir Replacement Project and related facilities, miscellaneous rehabilitation projects, and the replacement of the Salt Lake Aqueduct. The construction cost of replacement of the terminal reservoirs is estimated to be \$37 million, including approximately \$28 million of which will be financed with proceeds of the Series 2012B Bonds. Miscellaneous

rehabilitation projects are projected to average approximately \$5 million per year for each of the next ten years. The District plans to begin replacing other infrastructure, potentially including the Salt Lake Aqueduct, beginning in approximately 2025. Construction of the replacement of this infrastructure would extend for 30 or more years and is estimated to cost \$15 million to \$20 million per year.

SUMMARY FINANCIAL INFORMATION

Set forth below for the District are summary statements of revenues, expenses and changes in net assets and statements of net assets for the years shown. Such summaries are unaudited but have been extracted from the District's audited financial statements for such years.

Certain reclassifications have been made to the prior years' financial statement presentations to correspond to the current year's format.

For additional information regarding the District's financial performance for the fiscal years ended June 30, 2010 and 2011, see APPENDIX A hereto, including the section entitled, "Management's Discussion and Analysis."

SUMMARY OF STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FISCAL
YEARS ENDED JUNE 30*

| | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| OPERATING REVENUES: | | | | | |
| Water sales | \$ 11,706,782 | \$ 11,811,107 | \$ 13,189,614 | \$ 13,303,657 | \$ 11,413,780 |
| Water treatment | <u>336,841</u> | <u>919,230</u> | <u>41,386</u> | <u>33,468</u> | <u>79,288</u> |
| Total Operating Revenues | 12,043,623 | 12,730,337 | 13,231,000 | 13,337,125 | 11,493,068 |
| OPERATING EXPENSES: | | | | | |
| Costs of sales and services | 9,623,956 | 10,216,761 | 11,075,233 | 10,073,339 | 9,440,311 |
| General and administrative | 2,326,968 | 1,917,777 | 2,972,780 | 3,030,272 | 2,223,181 |
| Depreciation | <u>11,102,779</u> | <u>11,025,827</u> | <u>10,367,114</u> | <u>3,947,915</u> | <u>3,741,786</u> |
| Total Operating Expenses | <u>23,053,703</u> | <u>23,160,365</u> | <u>24,415,127</u> | <u>17,051,526</u> | <u>15,405,278</u> |
| OPERATING LOSS | (11,010,080) | (10,430,028) | (11,184,127) | (3,714,401) | (3,912,210) |
| NON-OPERATING REVENUES (EXPENSES): | | | | | |
| Property tax revenues | 9,358,950 | 9,259,099 | 9,362,507 | 9,111,809 | 7,913,797 |
| Special assessment revenue | 12,067,106 | 12,065,245 | 11,966,780 | 11,926,261 | 12,346,474 |
| Interest income | 262,141 | 487,791 | 752,386 | 1,318,549 | 1,861,575 |
| Interest expense | (10,998,183) | (11,383,408) | (11,801,104) | (12,261,922) | (2,547,004) |
| Net increase in the fair value of investments | 77,339 | 71,354 | 457,414 | - | - |
| Laboratory fees | 604 | 392 | 570 | 416 | 9,885 |
| Gain on Provo River Water Users Association | 12,831,237** | (779,515) | 378,521 | 713,599 | 228,918 |
| Gain (Loss) on disposal of capital assets | (344,055) | - | - | 20,556 | - |
| Other revenue | <u>137,763</u> | <u>80,019</u> | <u>53,751</u> | <u>122,607</u> | <u>747,161</u> |
| Total Non-Operating Revenues - Net | <u>23,392,902</u> | <u>9,800,977</u> | <u>11,170,825</u> | <u>10,951,875</u> | <u>20,560,806</u> |
| Income (loss) before contributions and transfers | <u>12,382,822</u> | <u>(629,051)</u> | <u>(13,302)</u> | <u>7,237,474</u> | <u>16,648,596</u> |
| Transfer of assets and related contributed capital - CUWCD | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,183,505</u> | <u>-</u> |
| CHANGE IN NET ASSETS | <u>12,382,822</u> | <u>(629,051)</u> | <u>(13,302)</u> | <u>11,420,979</u> | <u>16,648,596</u> |
| TOTAL NET ASSETS - beginning of year | <u>149,842,231</u> | <u>150,471,282</u> | <u>150,484,584</u> | <u>139,063,605</u> | <u>122,415,009</u> |
| TOTAL NET ASSETS - end of year | <u>\$162,225,053</u> | <u>\$149,842,231</u> | <u>\$150,471,282</u> | <u>\$150,484,584</u> | <u>\$139,063,605</u> |

* Information extracted from the District's audited financial statements.

** Increase due to improvements to Deer Creek Reservoir (Safety of Dams project) being completed and recognized as an asset to the Association. The gain shown represents the District's portion of this improvement.

SUMMARY OF STATEMENTS OF NET ASSETS AS OF JUNE 30*

| | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| ASSETS | | | | | |
| CURRENT ASSETS: | | | | | |
| Cash and cash equivalents | \$ 22,758,309 | \$ 23,212,815 | \$ 13,479,833 | \$ 25,518,646 | \$ 20,261,240 |
| Accounts receivable | 1,078,815 | 969,667 | 3,723,089 | 2,273,261 | 4,351,977 |
| Notes receivable - Sandy | - | - | - | - | 1,560,086 |
| Prepaid expenses | 67,398 | - | - | - | 478,616 |
| Supplies | <u>157,377</u> | <u>193,469</u> | <u>201,967</u> | <u>150,684</u> | <u>135,946</u> |
| TOTAL CURRENT ASSETS | 24,061,899 | 24,375,951 | 17,404,889 | 27,942,591 | 26,787,865 |
| NONCURRENT ASSETS: | | | | | |
| Restricted assets | 19,043,008 | 28,537,053 | 33,992,345 | 21,553,012 | 14,892,171 |
| Investment in Provo River Water Users Association | 32,608,532 | 17,090,136 | 16,577,036 | 16,174,884 | 15,244,594 |
| Bond issuance costs, net | 10,491,548 | 10,847,401 | 6,645,585 | 4,853,261 | 4,088,124 |
| Capital assets, net | <u>340,960,746</u> | <u>347,963,441</u> | <u>353,283,543</u> | <u>355,947,735</u> | <u>350,600,145</u> |
| TOTAL NONCURRENT ASSETS | <u>403,103,834</u> | <u>404,438,031</u> | <u>410,498,509</u> | <u>398,528,892</u> | <u>384,825,034</u> |
| TOTAL ASSETS | 427,165,733 | 428,813,982 | 427,903,398 | 426,471,483 | 411,612,899 |
| Deferred outflows: | | | | | |
| Deferred outflow of resources | <u>9,098,380</u> | <u>11,153,298</u> | <u>13,846,517</u> | <u>6,929,479</u> | - |
| TOTAL ASSETS AND DEFERRED OUTFLOWS | <u>\$436,264,113</u> | <u>\$439,967,280</u> | <u>\$441,749,915</u> | <u>\$433,400,962</u> | <u>\$411,612,899</u> |
| LIABILITIES | | | | | |
| CURRENT LIABILITIES: | | | | | |
| Accounts payable | \$ 1,389,481 | \$ 1,929,833 | \$ 2,190,722 | \$ 2,728,863 | \$ 7,350,507 |
| Accrued expenses | 626,180 | 525,746 | 478,206 | 502,539 | 461,945 |
| Deferred revenue | - | - | 1,714,018 | 703,200 | - |
| Accrued interest payable | 4,034,660 | 3,902,723 | 2,423,342 | 2,472,273 | 3,007,623 |
| Current portion of long-term liabilities: | | | | | |
| Revenue bonds payable | <u>4,795,000</u> | <u>4,500,000</u> | <u>3,765,000</u> | <u>3,225,000</u> | <u>3,320,000</u> |
| TOTAL CURRENT LIABILITIES | 10,845,321 | 10,858,302 | 10,571,288 | 9,631,875 | 14,140,075 |
| LONG-TERM LIABILITIES | | | | | |
| Interest rate swap agreement | 9,098,380 | 11,153,298 | 13,846,517 | 6,929,479 | - |
| Unamortized bond premiums, net of discounts | 9,635,359 | 10,248,449 | 4,615,828 | 4,945,024 | 5,274,219 |
| Revenue bonds payable, net of current portion | <u>244,460,000</u> | <u>257,865,000</u> | <u>262,245,000</u> | <u>261,410,000</u> | <u>253,135,000</u> |
| TOTAL LONG-TERM LIABILITIES | <u>263,193,739</u> | <u>279,266,747</u> | <u>280,707,345</u> | <u>273,284,503</u> | <u>258,409,219</u> |
| TOTAL LIABILITIES | 274,039,060 | 290,125,049 | 291,278,633 | 282,916,378 | 272,549,294 |
| NET ASSETS: | | | | | |
| Invested in capital assets, net of related debt | 88,527,275 | 93,497,112 | 99,953,566 | 99,293,452 | 89,940,337 |
| Restricted net assets | 12,995,655 | 10,027,844 | 11,313,239 | 10,821,412 | 14,892,171 |
| Unrestricted | <u>60,702,123</u> | <u>46,317,275</u> | <u>39,204,477</u> | <u>40,369,720</u> | <u>34,231,097</u> |
| TOTAL NET ASSETS | <u>162,225,053</u> | <u>149,842,231</u> | <u>150,471,282</u> | <u>150,484,584</u> | <u>139,063,605</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$436,264,113</u> | <u>\$439,967,280</u> | <u>\$441,749,915</u> | <u>\$433,400,962</u> | <u>\$411,612,899</u> |

* Information extracted from the District's audited financial statements.

HISTORICAL RESULTS OF OPERATIONS AND DEBT SERVICE COVERAGE

Selected historical information with respect to District operations and debt service coverage is set forth below.

| | FISCAL YEAR ENDED JUNE 30 | | | | |
|---------------------------------|---------------------------|---------------------|---------------------|---------------------|---------------------|
| | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> |
| Water deliveries (in acre-feet) | 57,828 | 62,600 | 66,589 | 71,341 | 67,755 |
| Revenues: | | | | | |
| Water sales | \$11,706,782 | \$11,811,107 | \$13,189,614 | \$13,303,657 | \$11,413,780 |
| Water treatment | 336,841 | 919,230 | 41,386 | 33,468 | 79,288 |
| Property tax revenues (1) | 9,358,950 | 9,259,099 | 9,362,507 | 9,111,809 | 7,913,797 |
| Interest income | 262,141 | 487,791 | 752,386 | 1,318,549 | 1,861,575 |
| Special assessment (2) | 12,067,106 | 12,065,245 | 11,966,780 | 11,926,261 | 12,346,474 |
| Other (3) | <u>138,367</u> | <u>80,411</u> | <u>54,359</u> | <u>122,985</u> | <u>757,046</u> |
| Total revenues | <u>33,870,187</u> | <u>34,622,883</u> | <u>35,367,032</u> | <u>35,816,729</u> | <u>34,371,960</u> |
| Operating expenses (4): | | | | | |
| Cost of sales and service | 9,623,956 | 10,216,761 | 11,075,233 | 10,073,339 | 9,440,311 |
| General and administrative | <u>2,326,968</u> | <u>1,917,777</u> | <u>5,943,980</u> | <u>5,407,232</u> | <u>2,223,181</u> |
| Total operating expenses | <u>11,950,924</u> | <u>12,134,538</u> | <u>17,019,213</u> | <u>15,480,571</u> | <u>11,663,492</u> |
| Available for debt service | <u>\$21,919,263</u> | <u>\$22,488,345</u> | <u>\$18,347,819</u> | <u>\$20,336,158</u> | <u>\$22,708,468</u> |
| Debt Service: | | | | | |
| Debt service (5) | \$14,580,697 | \$13,751,207 | \$13,417,504 | \$14,733,562 | \$13,310,101 |
| Debt service coverage ratio | 1.50X | 1.64X | 1.37X | 1.38X | 1.71X |

-
- (1) Property tax revenues are not pledged to the payment of debt service, but may be used for operation and maintenance expenses.
- (2) Special assessments to Salt Lake and Sandy are not subject to water sales.
- (3) Includes aqueduct capacity rentals, laboratory fees, and other miscellaneous revenues from the District's basic financial statements (does not include gain on sale of capital assets, gain on investment in Provo River Water Users Association or gain on net increase in fair value of investments).
- (4) Does not include depreciation and amortization.
- (5) A portion of the existing debt service consists of variable rate debt. A portion of the variable rate bonds has been swapped into a synthetic fixed rate. For purposes of this table, interest on the portion of the District's variable rate debt that is subject to a swap (which will remain outstanding upon the issuance of the Series 2012B Bonds) is calculated at an assumed rate equal to the fixed rate payable by the District under the swaps. See "DEBT SERVICE REQUIREMENTS ON THE BONDS-Interest Rate Swap Agreements."

EMPLOYEES

The District has approximately 67 employees (calculated on a full-time-equivalent basis), two of which are temporary or seasonal positions. The District is not a party to any collective bargaining agreement, and none of the District's employees are represented by a union. The District considers relations with its employees to be good.

EMPLOYEE RETIREMENT BENEFITS

The District contributes to the Local Governmental Noncontributory Retirement System, which is a non-contributory, cost-sharing, multiple-employer, defined-benefit pension plan administered by the Utah Retirement System ("URS"). Pursuant to the plan, the District contributes a percentage of employees' wages to the URS and, upon retirement, eligible employees receive monthly payments from the URS equal to a percentage of their average salary, depending on the number of years worked.

URS was established, and is governed, by Chapter 49 of the Utah Code Annotated 1953, as amended (the "*Retirement Act*"), which also establishes the Utah State Retirement Office for the administration of URS and its plans. URS, the Utah State Retirement Office, and related plans and programs are administered under the direction of the Utah State Retirement Board (the "*Retirement Board*"), whose members are appointed by the Governor of the State. Employer contribution rates are actuarially determined and are approved by the Retirement Board, as authorized by the Retirement Act. URS issues a publicly available financial report that includes financial statements and required supplementary information. A copy of the report may be obtained by writing to the Utah Retirement System, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

The District's contributions to URS for the fiscal years ended June 30, 2010 and 2011 equaled 11.66% and 13.37%, respectively, of covered payroll, or \$411,155 and \$464,291, respectively. The District has no additional obligation to fund plan benefits once it makes the required contributions. The District has made all required contributions to date.

The District offers their full-time permanent employees participation in a defined contribution plan created in accordance with Internal Revenue Code Section 401(k) (the "*401(k) Plan*"), which is administered by URS. Employees may contribute from 1% to 100% of their annual salary up to a maximum of \$16,500 (\$22,000 for employees aged 50 or older) for fiscal years ended 2010 and 2011. The District contributes 50% of the first 6% contributed by the employee, up to a maximum of 3% of the covered payroll of employees who also participate in the noncontributory retirement plan. The District is not legally obligated to contribute and any contribution made is at the discretion of the Board of Trustees. Contributions made by the District to the 401(k) Plan were \$87,416 and \$89,202 for the fiscal years ended June 30, 2010 and 2011, respectively.

The District has a policy that allows retirement-eligible employees to elect either a one-time cash payment equal to 25 percent of the employee's accumulated sick leave at the employee's rate of pay at the time of retirement. The other option allows retirement-eligible

employees to convert 25 percent of their accumulated sick leave to either purchase credit in their 401(k) plan or for continuing group health insurance coverage for the employee and any previously enrolled eligible dependents on a dollar-for-dollar basis. Employees may have a maximum of 1,080 hours of sick leave available for use. Sick leave accrued prior to February 28, 2001 is converted at a 50 percent rate instead of 25 percent. The District recognizes such benefits as an accrued liability. The District's accrued liabilities for this benefit are based on projections for employees eligible to retire within the next five years. The District's accrued liabilities for this benefit for the fiscal years ended June 30, 2010 and 2011 equaled \$181,387 and \$173,962, respectively. Payments to actual retirees under such plan equaled \$10,243 and \$19,656 in fiscal years ended June 30, 2010 and 2011, respectively.

See APPENDIX A—FINANCIAL STATEMENTS OF THE DISTRICT AS OF AND FOR THE YEAR ENDED JUNE 30, 2011—Notes 8 (Retirement Plans) and 9 (Deferred Compensation Plans).

ESTIMATED SOURCES AND USES OF FUNDS

The sources and uses of funds in connection with the issuance of the Series 2012B Bonds are estimated to be as follows:

SOURCES:

| | |
|------------------------------|-----------------|
| Principal Amount..... | \$_____ |
| Original Issue Premium | _____ |
| TOTAL | \$ <u>_____</u> |

USES:

| | |
|--|-----------------|
| Deposit to Escrow Account to refund Refunded Bonds | \$_____ |
| Costs of Issuance* | _____ |
| TOTAL | \$ <u>_____</u> |

* Includes Underwriters' discount and legal, financial advisor, Trustee, bond registrar, escrow verification printing and other fees and expenses.

DEBT SERVICE REQUIREMENTS ON THE BONDS

The following table sets forth the debt service requirements on all of the Bonds that will be outstanding under the Bond Resolution upon the issuance of the Series 2012B Bonds:

| BOND YEAR ENDING JULY 1 | SERIES 2012B BONDS | | OUTSTANDING BONDS** | TOTAL |
|----------------------------|---------------------|----------|------------------------|-------|
| | PRINCIPAL* | INTEREST | | |
| 2012 | \$ - | | \$ 8,439,408 | |
| 2013 | 970,000 | | 15,691,619 | |
| 2014 | 990,000 | | 15,722,744 | |
| 2015 | 1,010,000 | | 15,827,475 | |
| 2016 | 1,055,000 | | 15,729,095 | |
| 2017 | 1,055,000 | | 15,742,895 | |
| 2018 | 1,100,000 | | 15,752,295 | |
| 2019 | 1,140,000 | | 15,757,095 | |
| 2020 | 1,195,000 | | 16,044,595 | |
| 2021 | 1,250,000 | | 16,032,095 | |
| 2022 | 1,300,000 | | 16,074,895 | |
| 2023 | 750,000 | | 17,009,495 | |
| 2024 | - | | 18,172,245 | |
| 2025 | - | | 20,499,995 | |
| 2026 | - | | 20,516,600 | |
| 2027 | - | | 20,716,840 | |
| 2028 | - | | 20,559,965 | |
| 2029 | - | | 20,561,725 | |
| 2030 | - | | 18,132,870 | |
| 2031 | - | | 18,219,078 | |
| 2032 | - | | 14,434,758 | |
| 2033 | - | | 14,536,064 | |
| 2034 | - | | 14,533,106 | |
| 2035 | - | | 9,103,660 | |
| 2036 | - | | 9,079,400 | |
| 2037 | - | | <u>5,454,750</u> | |
| TOTAL | <u>\$11,815,000</u> | | <u>\$408,344,762</u> | |

* Preliminary; subject to change.

** Includes principal and interest. The District plans to issue \$107,645,000 aggregate principal amount of its Series 2012A Bonds on March 1, 2012 for the purpose of refunding certain of the District's outstanding Bonds in order to achieve debt service savings and to finance the cost of certain System facilities. For purposes of this table, the Series 2012A Bonds and the Series 2012B Bonds are considered to be outstanding and the Refunded Bonds and the Bonds to be refunded by the Series 2012A Bonds are considered to be refunded. Includes debt service on the Series 2012A Bonds. The District's Series 2011A Bonds to remain outstanding upon the issuance of the Series 2012A Bonds bear interest at a variable rate, but are subject to swap agreements. For purposes of this table, interest on such \$58,800,000 principal amount of the Series 2011A Bonds is calculated at assumed rates equal to the respective fixed rates payable by the District under the swap agreements. See "Interest Rate Swap Agreements" below.

INTEREST RATE SWAP AGREEMENTS

In connection with the issuance of the District's Water Revenue Refunding Bonds, Series 2011A (the "*Series 2011A Bonds*"), the District entered into two interest rate swap agreements (the "*Swap Agreements*") with Deutsche Bank AG, New York Branch (the "*Swap Provider*"). In general, the Swap Agreements provide that the Swap Provider is obligated to pay the District a variable interest rate equal to 67% of one-month LIBOR and the District is obligated to pay to the Swap Provider fixed interest rates equal to (i) 3.865% per annum with respect to \$15,300,000 of currently outstanding Series 2011A Bonds and (ii) 3.64% per annum with respect to \$43,500,000 of currently outstanding Series 2011A Bonds, respectively, calculated based on the notional schedules set forth in the confirmations relating to the Swap Agreements, which notional schedules set forth amounts equal to the outstanding principal amounts of the related portions of Series 2011A Bonds, thereby providing partial protection to the District against interest rate fluctuations arising from the variable interest rate borne by the Series 2011A Bonds. However, the Swap Agreements do not alter the District's obligation with respect to the Series 2011A. Since the Swap Agreements are subject to termination upon the occurrence of a number of events, no assurance can be given that the Swap Agreements will continue to be in existence, and the Swap Agreements should not be viewed as a source of credit or security for the Series 2011A Bonds.

Obligations of the District to the Swap Provider are payable from amounts available in the Revenue Fund after payment of, among other things, debt service on the Bonds and payment of any deficiency in any accounts in the Debt Service Reserve Fund for Bonds for which a Debt Service Reserve Requirement has been established.

In the event of a downgrade of the long-term debt of the District by Moody's to below Aa3 or by S&P or Fitch to below AA-, the Swap Agreements permit the Swap Provider to require the District to post collateral up to the amount of the hypothetical termination value that the District would be required to pay if the Swap Agreements were terminated as of the applicable date of calculation. The extent to which the District would be required to post such collateral upon such a downgrade depends on the District's ratings at the time of the calculation and request for collateral.

The Swap Agreements provide for early termination in certain circumstances, which could result in the District being required to make an unanticipated termination payment. Such termination payment, if due, is payable by the District from legally available funds of the District.

The Swap Agreements expire on August 23, 2027, prior to the maturity of the related Series 2011A Bonds.

LITIGATION

It is a condition of delivery of the Series 2012B Bonds that the District execute a certificate to the effect that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, known to be pending or threatened against or affecting the District, nor to the best knowledge of the District is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by the Bond Resolution or any other agreement or instrument to which the District is a party and which is used or contemplated for use in the consummation of the transactions contemplated by the Bond Resolution.

An opinion of Snow, Christensen & Martineau, counsel to the District, dated the date of the delivery of the Series 2012B Bonds, will be provided, stating, among other things, that there is no action, suit, proceeding, inquiry, or any other litigation or investigation, at law or in equity, before or by any court, public board or body, which is pending or threatened, (i) challenging the creation, organization or existence of the District or the titles of its officers to their respective offices, (ii) seeking to restrain or enjoin the issuance, sale or delivery of the Series 2012B Bonds, (iii) directly or indirectly contesting or affecting the proceedings or the authority by which the Series 2012B Bonds are issued, the legality of the purpose for which the Series 2012B Bonds are issued, or the validity of the Series 2012B Bonds or the issuance thereof, or (iv) if determined adversely to the District, would have a material adverse impact on the financial condition of the District.

CONTINUING DISCLOSURE UNDERTAKING

The District will enter into a Continuing Disclosure Undertaking (the “*Undertaking*”) for the benefit of the beneficial owners of the Series 2012B Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system (“*EMMA*”) 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 form of which is included in this Official Statement as APPENDIX D.

The District is in compliance with each undertaking previously entered into by it pursuant to the Rule. A failure by the District to comply with the Undertaking will not constitute an event of default under the Bond Resolution, and beneficial owners of the Series 2012B Bonds are limited to the remedies described in the 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 2012B Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability, liquidity or the market price of the Series 2012B Bonds.

TAX EXEMPTION

FEDERAL INCOME TAXATION

Federal tax law contains a number of requirements and restrictions which apply to the Series 2012B 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 2012B 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 2012B Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2012B 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 2012B Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of the District with respect to certain material facts within the District's knowledge and upon the mathematical computation of the yield on the Bonds and the yield on certain investments by Grant Thornton LLP, Certified Public Accountants. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

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 certain tax-exempt interest, including interest on the Bonds.

Ownership of the Series 2012B 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 2012B 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 2012B Bonds is the price at which a substantial amount of such maturity of the Series 2012B Bonds is first sold to the public. The Issue Price of a maturity of the Series 2012B Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page hereof.

Owners of Series 2012B Bonds who dispose of Series 2012B Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Series 2012B Bonds in the initial public offering, but at a price different from the Issue Price, or purchase Series 2012B Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Series 2012B Bond is purchased at any time for a price that is less than the Series 2012B Bond’s stated redemption price at maturity, the purchaser will be treated as having purchased a Series 2012B 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 2012B 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 2012B Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Series 2012B Bonds.

An investor may purchase a Series 2012B 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 2012B 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 2012B Bond. Investors who purchase a Series 2012B Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Series 2012B Bond’s basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Series 2012B 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 above or adversely affect the market value of the Series 2012B 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 2012B 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 2012B Bonds. If an audit is commenced, under current procedures the Service may treat

the District as a 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 2012B 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 2012B Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Series 2012B 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 2012B 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.

Bond Counsel expresses no opinion as to the treatment of interest expense for financial institutions owning the Bonds for purposes of Section 265(b)(7) of the Code. Financial institutions should consult their tax advisors concerning such treatment.

UTAH INCOME TAXATION

In the opinion of Bond Counsel, under the existing laws of the State of Utah, as presently enacted and construed, interest on the Series 2012B 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 of Utah or any political subdivision thereof. Ownership of the Series 2012B 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 2012B Bonds. Prospective purchasers of the Series 2012B Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

UNDERWRITING

Wells Fargo Bank, National Association and Citigroup Global Markets Inc., as the underwriters for the Series 2012B Bonds, have agreed, subject to certain conditions, to purchase the Series 2012B Bonds from the District at a purchase price of \$_____ (representing the principal amount of the Series 2012B Bonds, plus original issue premium of \$_____, less an Underwriters' discount of \$_____), and to make a public offering of the Series 2012B Bonds at not in excess of the public offering prices set forth on the front cover of this Official Statement.

The Underwriters will be obligated to purchase all of the Series 2012B Bonds if any Series 2012B Bonds are purchased.

The Series 2012B Bonds may be offered and sold to certain dealers (including Underwriters and other dealers depositing such Series 2012B Bonds into investment trusts) at prices lower than the public offering price set forth on the front cover of this Official Statement, and such public offering price may be changed, from time to time, by the Underwriters.

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association (“WFBNA”).

WFBNA, the senior underwriter of the Series 2012B Bonds, has entered into an agreement (the “*Distribution Agreement*”) with Wells Fargo Advisors, LLC (“WFA”) for the retail distribution of certain municipal securities offerings, including the Series 2012B Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2012B Bonds with WFA. WFBNA and WFA are both subsidiaries of Wells Fargo & Company.

Citigroup, Inc., parent company of Citigroup Global Markets Inc., an underwriter of the Series 2012B Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2012B Bonds.

FINANCIAL ADVISOR

The District has entered into an agreement with Zions Bank Public Finance, Salt Lake City, Utah (the “*Financial Advisor*”) whereunder the Financial Advisor provides financial recommendations and guidance to the District with respect to preparation for sale of the Series 2012B Bonds, timing of sale, tax-exempt bond market conditions, costs of issuance and other factors related to the sale of the Series 2012B Bonds. The Financial Advisor has read and participated in the drafting of certain portions of this Official Statement. The financial Advisor has not audited, authenticated or otherwise verified the information set forth in the Official Statement, or any other related information available to the District, with respect to accuracy and completeness of disclosure of such information, and the Financial Advisor makes no guaranty, warranty or other representation respecting the accuracy and completeness of the Official Statement or any other matter related to the Official Statement.

RATINGS

Standard & Poor’s and Fitch Ratings have each assigned the Series 2012B Bonds the rating of “AA+”.

The ratings by such rating agencies of the Series 2012B Bonds reflect only the view of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Standard & Poor’s Ratings Services, One Market, Steuart Tower, 15th Floor, San Francisco, California 94105 and Fitch Ratings 650 California Street, 8th Floor, San Francisco, California 94108. 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 2012B Bonds.

LEGAL MATTERS

Certain of the legal matters incident to the authorization and issuance of the Series 2012B Bonds are subject to the approval of Chapman and Cutler LLP, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Chapman and Cutler LLP in its capacity as Disclosure Counsel to the District. Certain legal matters will be passed upon for the District by Snow, Christensen & Martineau, counsel to the District. Ballard Spahr LLP will serve as counsel to the Underwriters in connection with the issuance of the Bonds. Upon the delivery of the Series 2012B Bonds, Chapman and Cutler LLP, Bond Counsel, will issue its opinion in substantially the form set forth in APPENDIX C hereto.

ESCROW VERIFICATION

Grant Thornton LLP, Minneapolis, Minnesota, Certified Public Accountants, will verify the accuracy of the mathematical computations concerning the adequacy of the maturing principal amounts of and interest earned on the Government Obligations, together with other escrowed moneys, to pay when due pursuant to prior redemption the redemption price of, and interest on, the Refunded Bonds and the mathematical computations of the yield on the Series 2012B Bonds and the yield on the government obligations purchased with a portion of the proceeds of the sale of the Series 2012B Bonds. Such verification shall be based in part upon information supplied by the Underwriters.

INDEPENDENT AUDITORS

The financial statements of the District at and for the fiscal year ended June 30, 2011, included in APPENDIX A to this Official Statement, have been audited by Jensen & Keddington, P.C., independent auditors, as set forth in its report dated November 1, 2011, included in APPENDIX A hereto. Jensen & Keddington, P.C., has not consented to the inclusion of such financial statements in, nor performed any procedures relating to, this Official Statement.

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. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or owners of any of the Series 2012B Bonds.

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

METROPOLITAN WATER DISTRICT OF SALT
LAKE & SANDY

By _____
Chair

Dated: _____, 2012.

APPENDIX A

**FINANCIAL STATEMENTS OF THE DISTRICT AS OF AND FOR THE YEAR
ENDED JUNE 30, 2011**

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**Metropolitan Water District
of Salt Lake & Sandy**

**Financial Statements and
Independent Auditors' Report**

June 30, 2011 and 2010

Metropolitan Water District of Salt Lake & Sandy

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Jensen & Keddington, P.C.

Certified Public Accountants

Jeffery B. Jensen, CPA

Gary K. Keddington, CPA

Brent E. Christensen, CPA

Jeffrey B. Hill, CPA

Gregory B. White, CPA

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Metropolitan Water District of Salt Lake & Sandy
Cottonwood Heights, Utah

We have audited the accompanying financial statements of Metropolitan Water District of Salt Lake & Sandy (the District) as of and for the fiscal years ended June 30, 2011 and 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the District as of June 30, 2010, were audited by other auditors whose report dated October 19, 2010, expressed an unqualified opinion on those statements. As discussed in Note 11, the District has restated its June 30, 2010, financial statements during the current year to correct for errors in reporting improperly capitalized fixed assets, in conformity with accounting principles generally accepted in the United States of America. The other auditors reported on the June 30, 2010, financial statements before the restatement.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2011 and 2010, and the results of its operations and its cash flows for the fiscal 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 November 1, 2011, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 4 are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

November 1, 2011

Management's Discussion and Analysis (Unaudited)

The management of the Metropolitan Water District of Salt Lake & Sandy (the "District") presents to the reader of the District's financial statements this discussion and analysis of the District's financial performance for the fiscal years ended June 30, 2011 and 2010.

Overview of the financial statements

The District's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States, promulgated by the Governmental Accounting Standards Board ("GASB"). The District reports as a single enterprise fund. Revenues are recognized when earned and expenses are recognized in the period in which they are incurred. See the notes to the financial statements for a summary of the District's significant accounting policies.

Metropolitan Water District of Salt Lake & Sandy's Net Assets

| | 2011 | 2010 | 2009 |
|---|-----------------------|-----------------------|-----------------------|
| Current and other assets | \$ 86,204,987 | \$ 80,850,541 | \$ 74,619,855 |
| Capital assets | <u>340,960,746</u> | <u>347,963,441</u> | <u>353,283,543</u> |
| Total assets | 427,165,733 | 428,813,982 | 427,903,398 |
| Deferred outflow of resources | <u>9,098,380</u> | <u>11,153,298</u> | <u>13,846,517</u> |
| Total assets and deferred outflow of resources | <u>436,264,113</u> | <u>439,967,280</u> | <u>441,749,915</u> |
| Current and other liabilities | 10,845,321 | 10,858,302 | 10,571,288 |
| Long-term liabilities | <u>263,193,739</u> | <u>279,266,747</u> | <u>280,707,345</u> |
| Total liabilities | <u>274,039,060</u> | <u>290,125,049</u> | <u>291,278,633</u> |
| Net Assets: | | | |
| Invested in capital assets, net of related debt | 88,527,275 | 93,497,112 | 99,953,566 |
| Restricted net assets | 12,995,655 | 10,027,844 | 11,313,239 |
| Unrestricted net assets | <u>60,702,123</u> | <u>46,317,275</u> | <u>39,204,477</u> |
| Total fund net assets | <u>\$ 162,225,053</u> | <u>\$ 149,842,231</u> | <u>\$ 150,471,282</u> |

Financial analysis

The District's primary sources of revenue are made up from water sales, property taxes, and special assessment revenues. Each source of revenue is predictably stable with slight variations in water sales due to seasonal weather patterns, and slight variations in property taxes due to changes in property values and/or certified tax rates. Special assessment revenues are based on each member city's investment in new system capacity and/or new water supplies. Once the special assessments are established, they remain stable until the investment in system capacity or water supply has been paid.

As part of its ongoing efforts to effectively manage long-term debt, the District refinanced a portion of its debt by restructuring the series A bonds, see note 6 for further details. In addition, the District is taking steps to diversify its deposits and investments. These efforts are consistent with the Utah Money Management Act. A contract with a certified investment advisor has been established with investment activity to begin in FY 2012.

The gain on the investment in Provo River Water Users Association primarily reflects an increase in the equity of the Association due to contributions to the Association from the federal government related to improvements made to the Deer Creek Dam as part of the Bureau of Reclamation's Safety of Dams Program.

Metropolitan Water District of Salt Lake & Sandy's Changes in Net Assets

| | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|--|-----------------------|-----------------------|-----------------------|
| Operating revenues | \$ 12,043,623 | \$ 12,730,337 | \$ 13,231,000 |
| Operating expenses | <u>(23,053,703)</u> | <u>(23,160,365)</u> | <u>(24,415,127)</u> |
| Operating loss | (11,010,080) | (10,430,028) | (11,184,127) |
| Non-operating revenues | 34,735,140 | 21,184,385 | 22,971,929 |
| Non-operating expenses | <u>(11,342,238)</u> | <u>(11,383,408)</u> | <u>(11,801,104)</u> |
| Total non-operating revenues (expenses), net | <u>23,392,902</u> | <u>9,800,977</u> | <u>11,170,825</u> |
| Change in net assets | 12,382,822 | (629,051) | (13,302) |
| Net assets - beginning of year | <u>149,842,231</u> | <u>150,471,282</u> | <u>150,484,584</u> |
| Net assets - end of year | <u>\$ 162,225,053</u> | <u>\$ 149,842,231</u> | <u>\$ 150,471,282</u> |

Metropolitan Water District of Salt Lake & Sandy's Summary of Revenues

| | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|--|----------------------|----------------------|----------------------|
| Operating revenues: | | | |
| Water sales | \$ 11,706,782 | \$ 11,811,107 | \$ 13,189,614 |
| Water treatment | <u>336,841</u> | <u>919,230</u> | <u>41,386</u> |
| Total operating revenues | <u>12,043,623</u> | <u>12,730,337</u> | <u>13,231,000</u> |
| Non-operating revenues: | | | |
| Property tax revenues | 9,358,950 | 9,259,099 | 9,362,507 |
| Special assessment revenue | 12,067,106 | 12,065,245 | 11,966,780 |
| Interest income | 262,141 | 487,791 | 752,386 |
| Net increase in fair value of investments | 77,339 | 71,354 | 457,414 |
| Laboratory fees | 604 | 392 | 570 |
| Gain (loss) on investment in Provo River Water Users Association | 12,831,237 | (779,515) | 378,521 |
| Other income | <u>137,763</u> | <u>80,019</u> | <u>53,751</u> |
| Total non-operating revenues | <u>34,735,140</u> | <u>21,184,385</u> | <u>22,971,929</u> |
| Total revenues | <u>\$ 46,778,763</u> | <u>\$ 33,914,722</u> | <u>\$ 36,202,929</u> |

Metropolitan Water District of Salt Lake & Sandy's Summary of Expenses

| | 2011 | 2010 | 2009 |
|------------------------------------|----------------------|----------------------|----------------------|
| Operating expenses | | | |
| Cost of sales and services | \$ 9,623,956 | \$ 10,216,761 | \$ 11,075,233 |
| General and administrative | 2,326,968 | 1,917,777 | 2,972,780 |
| Depreciation | <u>11,102,779</u> | <u>11,025,827</u> | <u>10,367,114</u> |
| Total operating expenses | <u>23,053,703</u> | <u>23,160,365</u> | <u>24,415,127</u> |
| Non-operating expenses | | | |
| Interest expense | 10,998,183 | 11,383,408 | 11,801,104 |
| Loss on disposal of capital assets | <u>344,055</u> | <u>-</u> | <u>-</u> |
| Total non-operating expenses | <u>11,342,238</u> | <u>11,383,408</u> | <u>11,801,104</u> |
| Total expenses | <u>\$ 34,395,941</u> | <u>\$ 34,543,773</u> | <u>\$ 36,216,231</u> |

Capital asset activity

The District's capital assets for its governmental activities, as of June 30, 2011 and 2010, amounted to \$340,960,746 and \$347,963,441, respectively (net of accumulated depreciation). This investment in capital assets includes the water system, land, administrative buildings and equipment, aqueduct rights and privileges, and investments in surface water resources.

A thorough review of fixed assets was conducted during the fiscal year 2011. This resulted in the disposal of some capital assets and reclassifications of others (see note 4). In addition, the District has completed the design of the replacement of the terminal reservoir of the Salt Lake Aqueduct. The design was nearly complete as of June 30, 2011, with construction expected to start in fiscal year 2012 and continue through fiscal year 2019. Additional financing is anticipated during that time period in order to fully fund the project. The construction cost of the project is anticipated to be approximately \$37 million.

Economic factors and budgetary analysis

Despite the difficulties found in the general economy, the District continues to find its revenues and expenses to be following a steady trend. Water rates are expected to increase 3% a year. This forecast has been communicated to the member cities and they anticipate the change. Operations and maintenance expenses are budgeted at an inflationary index of 3% per year. Capital expenditures are planned using asset management techniques that evaluate the condition, criticality, and consequence of the asset. Long-term debt is reviewed on an ongoing basis in an effort to capitalize on any opportunities. The District's bond ratings are AA+ by Fitch and AA+ by Standard and Poors.

Requests for information

This financial report is designed to give its readers a general overview of the District's finances. Questions regarding any information contained in this report or requests for additional information should be addressed to the General Manager, 3430 East Danish Road, Cottonwood Heights, Utah 84093.

Metropolitan Water District of Salt Lake & Sandy

Statements of Net Assets

| June 30 | 2011 | 2010 |
|--|-----------------------|-----------------------|
| Assets and deferred outflows | | |
| Current assets: | | |
| Cash and cash equivalents (Note 2) | \$ 22,758,309 | \$ 23,212,815 |
| Accounts receivable | 1,078,815 | 969,667 |
| Prepaid expenses | 67,398 | - |
| Supplies | 157,377 | 193,469 |
| Total current assets | 24,061,899 | 24,375,951 |
| Noncurrent assets: | | |
| Restricted assets (Note 2): | | |
| Cash and cash equivalents | 19,043,008 | 28,537,053 |
| Investment in Provo River Water Users Association (Note 5) | 32,608,532 | 17,090,136 |
| Bond issuance costs, net | 10,491,548 | 10,847,401 |
| Capital assets, net (Note 4) | 340,960,746 | 347,963,441 |
| Total assets | 427,165,733 | 428,813,982 |
| Deferred outflows: | | |
| Deferred outflow of resources | 9,098,380 | 11,153,298 |
| Total assets and deferred outflows | \$ 436,264,113 | \$ 439,967,280 |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable | \$ 1,389,481 | \$ 1,929,833 |
| Accrued expenses | 626,180 | 525,746 |
| Accrued interest payable | 4,034,660 | 3,902,723 |
| Bonds payable, current (Note 6) | 4,795,000 | 4,500,000 |
| Total current liabilities | 10,845,321 | 10,858,302 |
| Long-term liabilities: | | |
| Interest rate swap agreement | 9,098,380 | 11,153,298 |
| Unamortized bond premium, net of discounts | 9,635,359 | 10,248,449 |
| Bonds payable, net of current portion (Note 6) | 244,460,000 | 257,865,000 |
| Total long-term liabilities | 263,193,739 | 279,266,747 |
| Total liabilities | 274,039,060 | 290,125,049 |
| Net assets: | | |
| Invested in capital assets, net of related debt | 88,527,275 | 93,497,112 |
| Restricted net assets (Note 3) | 12,995,655 | 10,027,844 |
| Unrestricted net assets (note 3) | 60,702,123 | 46,317,275 |
| Total net assets | 162,225,053 | 149,842,231 |
| Total liabilities and net assets | \$ 436,264,113 | \$ 439,967,280 |

See accompanying notes to financial statements

Metropolitan Water District of Salt Lake & Sandy

Statements of Revenues, Expenses, and Changes in Net Assets

| For the fiscal years ended June 30 | 2011 | 2010 |
|--|-----------------------|-----------------------|
| Operating revenues: | | |
| Water sales | \$ 11,706,782 | \$ 11,811,107 |
| Water treatment | 336,841 | 919,230 |
| Total operating revenues | 12,043,623 | 12,730,337 |
| Operating expenses: | | |
| Cost of sales and services | 9,623,956 | 10,216,761 |
| General and administrative | 2,326,968 | 1,917,777 |
| Depreciation | 11,102,779 | 11,025,827 |
| Total operating expenses | 23,053,703 | 23,160,365 |
| Operating loss | (11,010,080) | (10,430,028) |
| Non-operating revenues (expenses): | | |
| Property tax revenues | 9,358,950 | 9,259,099 |
| Special assessment revenue | 12,067,106 | 12,065,245 |
| Interest income | 262,141 | 487,791 |
| Interest expense | (10,998,183) | (11,383,408) |
| Net increase in the fair value of investments | 77,339 | 71,354 |
| Laboratory fees | 604 | 392 |
| Gain (loss) on investment in Provo River Water Users Association | 12,831,237 | (779,515) |
| Loss on disposal of capital assets | (344,055) | - |
| Other revenue | 137,763 | 80,019 |
| Total non-operating revenues (expenses), net | 23,392,902 | 9,800,977 |
| Change in net assets | 12,382,822 | (629,051) |
| Net assets, beginning of year, as restated (see note 11) | 149,842,231 | 150,471,282 |
| Net assets, end of year | \$ 162,225,053 | \$ 149,842,231 |

See accompanying notes to financial statements

Metropolitan Water District of Salt Lake & Sandy

Statements of Cash Flows

| For the fiscal years ended June 30 | 2011 | 2010 |
|---|----------------------|----------------------|
| Cash flows from operating activities: | | |
| Receipts from water sales | \$ 11,597,634 | \$ 12,850,511 |
| Receipts from water treatment | 336,841 | 919,230 |
| Payments to vendors | (5,180,210) | (5,301,377) |
| Payments for general and administrative expenses | (1,448,219) | (1,300,180) |
| Payments to employees | (3,049,220) | (3,148,583) |
| Employee benefits paid | (1,798,352) | (1,737,959) |
| Administrative expenses to PRWUA | (946,147) | (851,290) |
| Net cash provided (used) by operating activities | (487,673) | 1,430,352 |
| Cash flows from non-capital financing activities: | | |
| Property tax revenue | 9,358,950 | 9,259,099 |
| Other revenue | 137,763 | 80,019 |
| Laboratory fees revenue | 604 | 392 |
| Net cash provided (used) by non-capital financing activities | 9,497,317 | 9,339,510 |
| Cash flows from capital and related financing activities: | | |
| Special assessment revenue | 12,067,106 | 12,065,245 |
| Proceeds from bonds | 94,890,000 | 60,320,000 |
| Refunded bonds | (103,500,000) | (60,200,000) |
| Principal paid on revenue bonds | (4,500,000) | (3,765,000) |
| Acquisition and construction of capital assets | (4,382,055) | (5,705,725) |
| Bond issuance costs | (241,982) | (4,732,727) |
| Reoffering premiums | - | 6,245,712 |
| Interest paid | (10,866,246) | (9,986,207) |
| Net cash provided (used) by capital and related financing activities | (16,533,177) | (5,758,702) |
| Cash flows from investing activities: | | |
| Proceeds from sale of investments | - | 9,511,610 |
| Contributions to PRWUA | (2,687,159) | (1,292,615) |
| Interest on investments | 262,141 | 466,098 |
| Net cash provided (used) by investing activities | (2,425,018) | 8,685,093 |
| Net change in cash and cash equivalents | (9,948,551) | 13,696,253 |
| Cash and cash equivalents, beginning of year | 51,749,868 | 38,053,615 |
| Cash and cash equivalents, end of year | \$ 41,801,317 | \$ 51,749,868 |

See accompanying notes to financial statements

Metropolitan Water District of Salt Lake & Sandy

Statements of Cash Flows (continued)

| For the fiscal years ended June 30 | 2011 | 2010 |
|---|----------------------|----------------------|
| Reconciliation of operating loss to net cash used by operating activities: | | |
| Operating loss | \$ (11,010,080) | \$ (10,430,028) |
| Depreciation | 11,102,779 | 11,025,827 |
| Decrease (increase) in accounts receivable | (109,148) | 1,817,404 |
| Decrease in prepaid expenses | (67,398) | - |
| Increase in supplies | 36,092 | 8,498 |
| Decrease in accounts payable | (540,352) | (260,889) |
| Decrease in deferred revenue | - | (778,000) |
| Increase in accrued expenses | 100,434 | 47,540 |
| Net cash provided (used) by operating activities | \$ (487,673) | \$ 1,430,352 |
| Cash and cash equivalents summary: | | |
| Unrestricted cash and cash equivalents | \$ 22,758,309 | \$ 23,212,815 |
| Restricted cash and cash equivalents | 19,043,008 | 28,537,053 |
| Total cash and cash equivalents | \$ 41,801,317 | \$ 51,749,868 |
| Noncash investing, capital, and financing activities: | | |
| Gain (loss) on investment in Provo River Water Users Association | \$ 12,831,237 | \$ (779,515) |
| Net increase in the fair value of investments | \$ 77,339 | \$ 71,354 |

See accompanying notes to financial statements

Metropolitan Water District of Salt Lake & Sandy

Notes to Financial Statements

Note 1 - Significant accounting policies

Reporting entity - The Metropolitan Water District of Salt Lake & Sandy (the "District") is organized under the Metropolitan Water District Act. The District is a separate legal entity, with a seven member board, five of which are appointed by Salt Lake City and two of which are appointed by Sandy City. Board members serve for a specified term and cannot be removed without cause. However, as the member cities are unable to impose their will and are not financially accountable for the District, the District is not reported as a component unit of the member cities. Substantially all of the water resources developed by the District are sold to Salt Lake City and Sandy City.

Basis of presentation - The District is a governmental unit that is accounted for as a business-type activity. It is classified as a proprietary fund type and operates as an enterprise fund. The District's basic financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued after November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Under the accrual basis of accounting, revenues are recognized when earned and expenditures are recognized when incurred.

The District reports its water production, storage, and distribution operations as a proprietary fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Cash and cash equivalents - For purposes of the statements of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less, when purchased, to be cash equivalents.

Accounts receivable - Accounts receivable are generally comprised of receivables on water sales and special assessment revenues, which are expected to be paid by cities and other wholesale customers. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management does not expect any uncollectible amounts as most payments are from governmental entities.

Supplies - Inventories, consisting of chemicals for the purification of water and fuels are stated at the lower of cost (on the first-in, first-out basis) or market.

Capital assets - Capital assets include property, plant, equipment, and intangible assets (i.e. investment in water sources), and are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of more than one year. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Water sources are recorded at their acquisition cost. Donated or contributed capital assets are recorded at their estimated fair value on the date received. Depreciation of capital assets is computed using the straight-line method over the estimated useful lives of the assets as follows:

| | Years |
|----------------------------|-------|
| Building and improvements | 5-50 |
| Machinery and equipment | 3-20 |
| Transportation equipment | 3-7 |
| Furniture and fixtures | 3-20 |
| Aqueduct and appurtenances | 5-75 |

No depreciation is provided on construction in progress until the asset is placed in service.

Metropolitan Water District of Salt Lake & Sandy

Notes to Financial Statements (continued)

Note 1 - Significant accounting policies (continued) **Bond issuance costs, bond discounts, and bond premiums** - Costs incurred for bond issuance, bond discounts, and bond premiums are deferred and amortized over the term of the related bonds using a method approximating the effective interest method. Bond discounts and bond premiums are presented as a reduction or addition to the face amount of bonds payable, whereas, issuance costs are recorded as an asset.

Capitalization of interest costs - The District capitalizes interest on borrowings which are used to finance construction. Capitalization of interest is net of interest earned on construction funds borrowed. Interest capitalization ceases when the construction project is substantially completed. Net interest capitalized was \$12,830 and \$44,672 and total interest expense was \$10,998,183 and \$11,383,408 for the fiscal years ended June 30, 2011 and 2010, respectively.

Deferred charges - Costs of preliminary surveys, design and other investigations which are related to proposed construction are deferred and included in construction in progress until the projects are placed in service, at which time they are depreciated over their useful lives. The cost of discontinued projects is charged to expense in the year the decision is made to discontinue the project.

Capital contributions - In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, capital contributions are recorded as revenues.

Use of estimates in the preparation of financial statements - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Hedging activities - The District accounts for hedging activities in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This standard requires that derivative instruments be reported at fair value, and that changes in the fair value of instruments that are considered to be hedging derivative instruments and found to be effective, be reported as either deferred inflows or deferred outflows in the statements of net assets. In addition, the District has early implemented the provisions of GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions -- an amendment of GASB Statement No. 53*, which clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty.

Classification of revenue:

•**Operating revenues** - Operating revenues include activities that have the characteristics of exchange transactions such as water sales revenue.

•**Non-operating revenues** - Non-operating revenues include activities that have the characteristics of non-exchange transactions and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB Statement No. 34. Examples of non-operating revenues include property tax revenues, interest income, gain or loss on sale of assets, and equity earnings in the District's investment in Provo River Water Users Association.

Risk management - The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. All general liability, real property, and vehicles are insured through commercial policies. The District has established a self-insurance reserve to fund deductibles on the commercial policies. The amount of settlements did not exceed insurance coverage for the past three years for all policies.

Reclassifications - Certain reclassifications have been made to the 2010 financial statement presentation to correspond to the current year's format. Total net assets and changes in net assets are unchanged due to these reclassifications.

Metropolitan Water District of Salt Lake & Sandy

Notes to Financial Statements (continued)

Note 1 - Significant accounting policies (continued)

•**Property tax revenue** - Property tax revenue is collected and remitted by the Salt Lake County Treasurer as an agent for the District.

Utah statutes establish the process by which taxes are levied and collected. Property taxes are assessed as of January 1 of the year in which they are due. September 1 is the levy date with a due date of November 30. Delinquent taxes are subject to a two percent penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at a rate equal to the federal discount rate, and the interest period is from January 1 until the date paid. If on March 15 following the lapse of four years from the date when the property taxes became delinquent, the taxes remain delinquent, the County Treasurer advertises and sells the property at a tax sale.

•**Water sales revenue** - Revenue from water sales is recorded based on monthly usage at the stated wholesale water rate. Water usage is measured by flow meters located throughout the system.

Net assets - The District's net assets are classified as follows:

•**Invested in capital assets, net of related debt** - This component of net assets consists of the District's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding debt obligations related to those assets. To the extent debt has been incurred, but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

•**Restricted net assets** - This component of net assets consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

•**Unrestricted net assets**- This component of net assets consists of net assets that do not meet the definition of "restricted net assets" or "invested in capital assets, net of related debt".

Note 2 - Cash, cash equivalents, and investments

Cash and cash equivalents consisted of the following:

| June 30 | 2011 | 2010 |
|--|---------------|---------------|
| Unrestricted: | | |
| Self insurance contingency | \$ 2,000,000 | \$ 2,000,000 |
| Interest rate stabilization | 2,629,511 | 1,597,314 |
| Operating and maintenance | 18,128,798 | 19,615,501 |
| Total unrestricted cash and cash equivalents | 22,758,309 | 23,212,815 |
| Restricted: | | |
| Bond payments and capital projects | 14,883,452 | 24,425,174 |
| Operating and maintenance | 3,417,789 | 3,370,949 |
| Renewal and replacement | 650,000 | 650,000 |
| 150th South pipeline | 32,342 | 31,965 |
| Jordan Valley WTP O&M agreement | 20,000 | 20,000 |
| Jordan aqueduct repayment contract | 39,425 | 38,965 |
| Total restricted cash and cash equivalents | 19,043,008 | 28,537,053 |
| Total cash and cash equivalents | \$ 41,801,317 | \$ 51,749,868 |

Metropolitan Water District of Salt Lake & Sandy

Notes to Financial Statements (continued)

Note 2 - Cash, cash equivalents, and investments (continued) **Deposits** - Deposits and investments for local governments are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the District's exposure to various risks related to its cash management activities.

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 deposit policy for custodial credit risk. The Act requires all deposits of local government to be 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 Council.

As of June 30, 2011 and 2010, the District's deposits had bank balances of \$2,387,742 and \$9,059,234, respectively, which are held in qualified depositories. Because these funds are held in a daily sweep account, they are not covered by federal depository insurance. Repurchase agreements in the amount of \$650,000 are supported by a safekeeping receipt issued by a qualified depository, but the securities are held by the investment's counterparty, not in the name of the District.

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 Money Management Act. The District is authorized to invest in the Utah Public Treasurer's Investment Fund (the "PTIF"), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, Utah Code Annotated, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses - net of administration fees of the PTIF, are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. For the years ended June 30, 2011 and 2010, the District had funds of \$24,625,702 and \$18,502,969, respectively, with the PTIF. The entire balance had a maturity of less than one year. The PTIF pool has not been rated.

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 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. The District's investment policy specifies that all investments will be sufficiently liquid to enable the District to meet all operating requirements which might be reasonably anticipated.

Metropolitan Water District of Salt Lake & Sandy

Notes to Financial Statements (continued)

Note 3 - Net assets Net assets are restricted by provisions of the bond resolutions adopted by the District (Note 6) as follows:

Amounts restricted for costs of construction projects - The 2002 Bond Resolution requires that a reserve be established or bond proceeds restricted to the related construction projects. Any excess funds shall be applied to the payment of principal and interest on the bonds when due.

Amounts restricted for revenue bond debt service - On April 29, 2002, the District adopted a master resolution providing for the issuance of water revenue bonds ("2002 Bond Resolution") which requires that a debt service account ("Bond Fund") be maintained, at minimum, that is equal to the principal and interest installment due within the fiscal year on the outstanding revenue bonds.

Amounts restricted for renewal and replacement - The 2002 Bond Resolution requires that an initial renewal and replacement reserve of \$650,000 be established but the reserve may be increased or decreased from time to time by a supplemental resolution. In the event a deficiency arises in the amounts restricted for the Bond Fund, monies in the renewal and replacement reserve shall be transferred to satisfy the deficiency.

Use of restricted assets - When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Restricted net assets are as follows:

| June 30 | 2011 | 2010 |
|------------------------------------|---------------|---------------|
| Future debt service | \$ 8,836,099 | \$ 5,915,965 |
| Operating and maintenance | 3,417,789 | 3,370,949 |
| Renewal and replacement | 650,000 | 650,000 |
| 150th South pipeline | 32,342 | 31,965 |
| Jordan Valley WTP O&M agreement | 20,000 | 20,000 |
| Jordan aqueduct repayment contract | 39,425 | 38,965 |
| Total restricted net assets | \$ 12,995,655 | \$ 10,027,844 |

Unrestricted net assets are as follows:

| June 30 | 2011 | 2010 |
|-------------------------------|---------------|---------------|
| Committed | | |
| Self insurance contingency | \$ 2,000,000 | \$ 2,000,000 |
| Interest rate stabilization | 2,629,511 | 1,597,314 |
| Uncommitted | 56,072,612 | 42,719,961 |
| Total unrestricted net assets | \$ 60,702,123 | \$ 46,317,275 |

Metropolitan Water District of Salt Lake & Sandy

Notes to Financial Statements (continued)

Note 4 - Capital assets Capital asset activity for the fiscal year ended June 30, 2011 is as follows:

| | Beginning Balance | Additions/ Transfers In | Disposals/ Transfers Out | Ending Balance |
|---|----------------------|----------------------------|-----------------------------|-------------------|
| Capital assets, not being depreciated: | | | | |
| Water sources | \$ 25,660,970 | \$ 2,971,200 | \$ - | \$ 28,632,170 |
| Land and right of way | 20,147,384 | - | - | 20,147,384 |
| Construction in progress | 3,740,190 | 1,634,762 | (56,610) | 5,318,342 |
| Total capital assets, not being depreciated | 49,548,544 | 4,605,962 | (56,610) | 54,097,896 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 234,698,583 | 5,577 | (2,960,317) | 231,743,843 |
| Machinery and equipment | 24,535,523 | - | (8,061,437) | 16,474,086 |
| Transportation equipment | 847,318 | 16,123 | (8,388) | 855,053 |
| Furniture and fixtures | 211,306 | - | (50,416) | 160,890 |
| Aqueduct and appurtenances | 111,415,440 | 51,034 | (1,195,585) | 110,270,889 |
| Total capital assets, being depreciated | 371,708,170 | 72,734 | (12,276,143) | 359,504,761 |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings and improvements | (37,391,709) | (6,487,503) | 2,852,362 | (41,026,850) |
| Machinery and equipment | (16,890,240) | (1,108,103) | 7,329,028 | (10,669,315) |
| Transportation equipment | (791,059) | (63,001) | 53,650 | (800,410) |
| Furniture and fixtures | (184,286) | (7,146) | 50,797 | (140,635) |
| Aqueduct and appurtenances | (18,035,979) | (3,224,711) | 1,255,989 | (20,004,701) |
| Total accumulated depreciation/amortization | (73,293,273) | (10,890,464) | 11,541,826 | (72,641,911) |
| Total capital assets being depreciated, net | 298,414,897 | (10,817,730) | (734,317) | 286,862,850 |
| Total capital assets, net | \$ 347,963,441 | \$ (6,211,768) | \$ (790,927) | \$ 340,960,746 |

Metropolitan Water District of Salt Lake & Sandy

Notes to Financial Statements (continued)

Note 4 - Capital assets Capital asset activity for the fiscal year ended June 30, 2010 is as follows:

| (continued) | Beginning Balance | Additions/ Transfers In | Disposals/ Transfers Out | Ending Balance |
|---|----------------------|----------------------------|-----------------------------|-------------------|
| Capital assets, not being depreciated: | | | | |
| Water sources | \$ 22,689,770 | \$ 2,971,200 | \$ - | \$ 25,660,970 |
| Land and right of way | 20,147,384 | - | - | 20,147,384 |
| Construction in progress | 3,261,723 | 2,734,525 | (2,256,058) | 3,740,190 |
| Total capital assets, not being depreciated | 46,098,877 | 5,705,725 | (2,256,058) | 49,548,544 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 233,089,927 | 1,608,656 | - | 234,698,583 |
| Machinery and equipment | 24,129,519 | 406,004 | - | 24,535,523 |
| Transportation equipment | 847,318 | - | - | 847,318 |
| Furniture and fixtures | 211,306 | - | - | 211,306 |
| Aqueduct and appurtenances | 111,174,042 | 241,398 | - | 111,415,440 |
| Total capital assets, being depreciated | 369,452,112 | 2,256,058 | - | 371,708,170 |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings and improvements | (31,154,401) | (6,237,308) | - | (37,391,709) |
| Machinery and equipment | (15,725,405) | (1,164,835) | - | (16,890,240) |
| Transportation equipment | (782,541) | (8,518) | - | (791,059) |
| Furniture and fixtures | (101,085) | (83,201) | - | (184,286) |
| Aqueduct and appurtenances | (14,504,014) | (3,531,965) | - | (18,035,979) |
| Total accumulated depreciation/amortization | (62,267,446) | (11,025,827) | - | (73,293,273) |
| Total capital assets being depreciated, net | 307,184,666 | (8,769,769) | - | 298,414,897 |
| Total capital assets, net | \$ 353,283,543 | \$ (3,064,044) | \$ (2,256,058) | \$ 347,963,441 |

Note 5 - Provo River Water Users Association The Provo River Water Users Association (the "Association") is a water resources agency incorporated under Utah law with 100,000 shares of no-par value, assessable capital stock, all of which were outstanding at June 30, 2011 and 2010. Each share carries a pro rata right to the use of all water made available by the Association annually up to a limit of one acre foot per share of stock. The District holds 61,700 (61.7%) of the Association's shares of stock, with the remaining 38.3% being held by 19 stockholders that are made up of individuals, for-profit businesses, not-for-profit companies, and government agencies, of which 1 stockholder owns a greater than 10% interest. In accordance with governmental accounting standards, the District's investment has been accounted for using the equity method. The carrying value of the District's investment at June 30, 2011 and 2010 approximated the District's underlying equity in the net assets of the Association.

Metropolitan Water District of Salt Lake & Sandy

Notes to Financial Statements (continued)

Note 5 - Provo River Water Users Association The accounts of the Association are included in the June 30 financial statements of the District as of its most recent audited financial statements, October 31, 2010 and 2009. The District's investment in the Association as of October 31, 2010 and 2009 is summarized as follows:

| (continued) | October 31 | 2010 | 2009 |
|---|-------------------|---------------|---------------|
| District's share of Deer Creek Division: | | | |
| Original contract | | \$ 7,033,800 | \$ 7,033,800 |
| Excess costs | | 7,654,208 | 7,654,208 |
| Total share of Deer Creek Division | | 14,688,008 | 14,688,008 |
| District's interest in the Association's retained earnings | | 16,342,061 | 2,402,128 |
| District's total share in the Association's retained earnings | | 31,030,069 | 17,090,136 |
| Additional contributions | | | |
| Contribution related to the Association's enclosure project | | 1,449,818 | - |
| Contribution for Deer Creek Project | | 128,645 | - |
| Total | | \$ 32,608,532 | \$ 17,090,136 |

Summary financial information for the Association as of, and for the fiscal years ended October 31, 2010 and 2009, is presented as follows:

| October 31 | 2010 | 2009 |
|--|---------------|--------------|
| Cash and investments | \$ 11,950,313 | \$ 1,357,243 |
| Other assets, principally water rights | 65,590,589 | 38,122,540 |
| Total assets | 77,540,902 | 39,479,783 |
| Total liabilities | 27,249,057 | 11,693,740 |
| Total equity | 50,291,845 | 27,786,043 |
| Total liabilities and equity | 77,540,902 | 39,479,783 |
| Total revenues | 25,367,147 | 3,744,763 |
| Total expenses | (3,184,645) | (3,205,872) |
| Net income | \$ 22,182,502 | \$ 538,891 |

The Association's complete financial report can be obtained by contacting their offices directly, located at 285 West 1100 North, Pleasant Grove, UT 84062.

Metropolitan Water District of Salt Lake & Sandy

Notes to Financial Statements (continued)

Note 6 - Long-term debt The District's long-term debt consisted of the following:

| June 30 | 2011 | 2010 |
|---|----------------|----------------|
| 2002B Series water revenue refunding bonds, interest at 3.50% to 5.25%, maturing in annual installments through 2024. | \$ 14,805,000 | \$ 15,635,000 |
| 2003A Series water revenue bonds, interest at 2.50% to 5.25%, maturing in annual installments through 2020. | 5,140,000 | 5,595,000 |
| 2004 Series water revenue bonds interest at 2.25% to 5%, maturing in annual installments through 2024. | 32,575,000 | 34,390,000 |
| 2005A Series water revenue bonds, interest at 3.00% to 5.00%, maturing in annual installments through 2025. | 41,525,000 | 42,725,000 |
| B-3 Series program revenue bonds, interest at 3.64% to 4.23%, maturing in annual installments through 2036. | - | 75,000,000 |
| B-5 Series water revenue bonds, interest at weekly variable rate (0.37% at June 30, 2010), maturing in annual installments through 2032. | - | 28,700,000 |
| 2009A Series water revenue refunding bonds, interest at 4.23%, maturing in 2031 with interest only payments through 2024. | 60,320,000 | 60,320,000 |
| 2011A Series variable rate water revenue refunding bonds, interest at monthly variable rate (0.99% at June 30, 2011), maturing in annual installments through 2036. | 94,890,000 | - |
| Total debt | 249,255,000 | 262,365,000 |
| Less bonds payable, current | (4,795,000) | (4,500,000) |
| Bonds payable, net of current portion | \$ 244,460,000 | \$ 257,865,000 |

Metropolitan Water District of Salt Lake & Sandy

Notes to Financial Statements (continued)

Note 6 - Long-term debt (continued) As of June 30, 2011, aggregate debt service requirements of the District's debt (fixed-rate and variable-rate) and net receipts/payments on associated hedging derivative instruments are presented below. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary. The hedging derivative instruments column reflects only net receipts/payments on derivative instruments that qualify for hedge accounting.

| Fiscal year ending June 30 | Principal | Interest | Hedging derivatives, net | Total |
|----------------------------|-----------------------|-----------------------|--------------------------|-----------------------|
| 2012 | \$ 4,795,000 | \$ 8,419,294 | \$ 2,101,645 | \$ 15,315,939 |
| 2013 | 5,695,000 | 8,228,827 | 2,101,645 | 16,025,472 |
| 2014 | 6,040,000 | 7,990,481 | 2,101,645 | 16,132,126 |
| 2015 | 6,335,000 | 7,709,298 | 2,101,645 | 16,145,943 |
| 2016 | 6,745,000 | 7,395,520 | 2,101,645 | 16,242,165 |
| 2017-2021 | 39,540,000 | 31,617,829 | 10,508,225 | 81,666,054 |
| 2022-2026 | 54,175,000 | 21,403,578 | 10,422,189 | 86,000,767 |
| 2027-2031 | 75,340,000 | 9,584,487 | 284,917 | 85,209,404 |
| 2032-2036 | 44,500,000 | 1,101,653 | - | 45,601,653 |
| 2037-2041 | 6,090,000 | - | - | 6,090,000 |
| Total | \$ 249,255,000 | \$ 103,450,967 | \$ 31,723,556 | \$ 384,429,523 |

Changes to the District's long-term debt are as follows:

| | 2011 | 2010 |
|---|----------------|----------------|
| Beginning balance | \$ 262,365,000 | \$ 266,010,000 |
| Bonds issued | 94,890,000 | 60,320,000 |
| Bond retirements and principal payments | (108,000,000) | (63,965,000) |
| Ending balance | \$ 249,255,000 | \$ 262,365,000 |
| Due within one year | \$ (4,795,000) | \$ (4,500,000) |

Credit risk - Effective on May 11, 2009, the District replaced JP Morgan Chase Bank, National Association with the New York Branch of Landesbank Hessen-Thüringen Girozentrale ("Heleba") as the liquidity provider for all outstanding variable rate debt (Series B-3 and B-5). The District terminated and paid in full the agreement on May 9, 2011.

The following are selected provisions of the 2002 Bond Resolution:

Optional redemption and redemption prices - The series 2002B bonds maturing on or after July 1, 2013, are subject to redemption prior to maturity at the option of the District on or after July 1, 2012, in whole or in part at any time, from such maturities or parts thereof as shall be selected by the District, at a redemption price of 100% of the principle amount of the Series 2002B bonds or portions thereof to be redeemed, plus accrued interest to the redemption date.

Metropolitan Water District of Salt Lake & Sandy

Notes to Financial Statements (continued)

Note 6 - Long-term debt (continued) **Pledge of the Bond Resolutions** - The 2002 Bond Resolution provides that the Bonds shall be special obligations of the District payable solely from and secured by: (i) the proceeds of sale of the Bonds; (ii) the revenues, and (iii) all funds (other than the operation and maintenance fund and the rebate fund), including the investments, if any, thereof, subject to any required rebate of all or a portion of the earnings on such investments to the United States of America.

Funds required by the Bond Resolutions - The 2002 Bond Resolution requires that certain "funds" be established to account for the District's receipts and disbursements. Such "funds" are accounts within the District's records and are not separate funds or groups of self-balancing accounts. The amounts held in these funds are to be used for the purposes stipulated in the 2002 Bond Resolution.

Current year bond refunding - During fiscal year 2011, the District issued \$94,890,000 of bonds, series 2011A with a variable interest rate, to refund \$74,800,000 of outstanding bonds; series B-3, and \$28,700,000 of outstanding bonds, series B-5. The series 2011A matures in 2036. GASB requires that the difference between the reacquisition price and the net carrying amount of the old debt will be deferred and amortized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or life of the new debt, whichever is shorter. The difference between the reacquisition price and the net carrying amount of the old debt is comprised of unamortized issuance costs and unamortized termination costs of the refunded bonds, which totaled \$2,662,680 and \$1,764,723 at the date of refunding, respectively. The refunding was done in order to reduce total debt service payments in the future and resulted in an estimated economic gain of \$3,868,013.

Prior year bond refunding - During fiscal year 2010, the District issued \$60,320,000 of bonds, series 2009A with a fixed interest rate of 4.23%, to refund \$60,200,000 of outstanding revenue bonds; series B-3. The series 2009A matures in 2031. An initial debt service reserve was set up in the amount of \$6,032,000. GASB requires that the difference between the reacquisition price and the net carrying amount of the old debt will be deferred and amortized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or life of the new debt, whichever is shorter. The difference between the reacquisition price and the net carrying amount of the old debt is comprised of unamortized issuance costs and swap termination costs of the refunded bonds, which totaled \$434,857 and \$3,944,000 at the date of refunding, respectively. The refunding was done in order to reduce total debt service payments in the future and resulted in an estimated economic gain of \$4,092,662.

Note 7 - Derivative instruments The District's long-term debt strategy is to maintain a mixture of fixed and variable-rate debt to take advantage of the two markets in order to effectively manage its debt, and to reduce its exposure to interest rate risk.

The District is a party to contracts for various derivative instruments, as discussed below. All derivative instruments of the District are classified as debt. At June 30, 2011, the District has the following derivative instruments outstanding:

| | Notional Amount | Fair Value | Changes in Fair Value | |
|------------------------------|-----------------|----------------|-----------------------|--------------|
| | | | Classification | Amount |
| Pay-fixed interest rate swap | \$ 15,300,000 | \$ (2,620,307) | Deferred Outflow | \$ 541,764 |
| Pay-fixed interest rate swap | 43,500,000 | (6,478,073) | Deferred Outflow | 1,513,154 |
| Total | \$ 58,800,000 | \$ (9,098,380) | | \$ 2,054,918 |

Metropolitan Water District of Salt Lake & Sandy

Notes to Financial Statements (continued)

Note 7 - Derivative instruments (continued) At June 30, 2010, the District has the following derivative instruments outstanding:

| | Notional Amount | Fair Value | Changes in Fair Value | |
|------------------------------|-----------------|-----------------|-----------------------|----------------|
| | | | Classification | Amount |
| Pay-fixed interest rate swap | \$ 15,300,000 | \$ (3,162,071) | Deferred Outflow | \$ (749,725) |
| Pay-fixed interest rate swap | 43,500,000 | (7,991,227) | Deferred Outflow | (1,744,999) |
| Total | \$ 58,800,000 | \$ (11,153,298) | | \$ (2,494,724) |

On May 6, 2011, the District novated their two interest rate swap agreements with Deutsche Bank. The novated swaps carry similar terms and are pay-fixed, receive-variable interest rate swaps on a portion of their 2011A revenue refunding bonds. The notional amount of the swaps were \$15,300,000 and \$43,500,000, respectively. The notional amount of the swaps and the principal amounts of the debt will start to decline in fiscal year 2025. The swaps are scheduled to terminate August 23, 2027. Under the terms of the swaps, the District pays a rate of 3.865% and 3.640%, respectively, and receives a variable rate equivalent to 67% of the 1-month USD-LIBOR-BBA (0.12% at June 30, 2011).

Fair value - At June 30, 2011 and 2010, the swaps had a combined negative fair value of \$9,098,380 and \$11,153,298, respectively, because interest rates have declined since the swaps were executed. The negative fair value may be mitigated by reduction in total interest payments required on the bonds, creating a lower synthetic interest rate. Because interest on the variable rate bonds adjusts to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was calculated under the terms and conditions of the agreement. The swap provider is the calculation agent.

Credit risk - Credit risk is the risk that the counterparty will not fulfill its obligations to the District. Should a swap be terminated when there is a positive value to the District, the District has the risk the counterparty will not be able to make the termination payment. Also, during the life of the swap, the District runs the risk that the counterparty will not make the monthly swap payments and thus be exposed to variable interest rates. This risk has been mitigated by the highly rated counterparty in these transactions. At June 30, 2011, the swap counterparty was rated Aa3 by Moody's Investor Services, A+ by S&P, and AA- by Fitch. In managing its interest rate swaps, the District adheres to the rules and regulations set forth by the Utah State Money Management Council.

Metropolitan Water District of Salt Lake & Sandy

Notes to Financial Statements (continued)

Note 7 - Derivative instruments (continued) **Basis risk** - The District's variable rate bondholders are paid the bond rate, which rate is closely based upon the tax-exempt interest rate of the Securities Industry and Financial Markets Association, which replaced the Bond Market Association Index, plus a spread, if any, based upon actual remarketing rates. Interest rate swaps can be structured utilizing a number of indices, which result in varying synthetic fixed rates. The basis risk is created when the interest paid by the District to the bondholder differs from the interest rate received from the counterparty.

Termination risk - The District or the counterparty may terminate the swap if either party fails to perform under the terms of the contract. The District may terminate the swap if the counterparty's credit quality rating falls below BBB-. If the swap is terminated, the variable-rate bond will no longer carry a synthetic interest rate. Also, if at the time of termination, the swaps had a negative fair value, the District would be liable to the counterparty for an amount equal to the swap's fair value.

Rollover risk - The District is exposed to rollover risk with its interest rate derivatives. Should a derivative terminate before the underlying bonds mature, there could be a time when the District is exposed to market volatility. Upon the termination of current interest rate derivatives, the District could be exposed to different market conditions for hedging its true variable rate bonds.

Note 8 - Retirement plans **Plan description** - The District contributes to the Local Governmental Noncontributory Retirement System, which is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Utah Retirement System ("the System"). The System provides retirement benefits, annual cost of living allowances, death benefits, and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State legislature.

The System was established and is governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (the "Office") for the administration of the System and plans. Chapter 49 places the System, the Office, and related plans and programs under the direction of the Utah State Retirement Board (the "Board") whose members are appointed by the Governor.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the System and Plans. A copy of the report may be obtained by writing to the Utah Retirement System, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding policy - The District was required to contribute 13.37% and 11.66% for the fiscal years ended June 30, 2011 and 2010, respectively of annual covered salary to the Local Government Noncontributory Retirement Systems. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The District's contributions to the Local Government Noncontributory Retirement System for the years ended June 30, 2011 and 2010 were \$464,291 and \$411,155, respectively. The contributions were equal to the required contributions for each year.

Loans or notes between the District and the Retirement System - No securities, loans, or notes of the District are included in the assets of the System.

Metropolitan Water District of Salt Lake & Sandy

Notes to Financial Statements (continued)

Note 9 - Deferred compensation plans **401(k) plan** - The District offers their full-time permanent employees participation in a defined contribution plan created in accordance with Internal Revenue Code Section 401(k) (the "Plan"). The Plan is administered by the System. Employees may contribute from 1% to 100% of their annual salary up to a maximum of \$16,500 (\$22,000 for employees aged 50 or older) for 2011 and 2010, respectively. Through May 1, 1998, the District contributed 1.18% of the covered payroll of employees who also participate in the noncontributory retirement plan. After May 1, 1998, the District contributed 50% of the first 6% contributed by the employee, up to a maximum of 3% of the covered payroll of employees who also participate in the noncontributory retirement plan. During 2011 and 2010, all participants in the Plan also participated in the noncontributory defined benefit plan of the System. The District is not legally obligated to contribute and any contribution made is at the discretion of the Board of Trustees. All employee and District contributions are fully vested at all times.

Contributions made by employees to the Plan were \$144,056 and \$168,889 for the fiscal years ended June 30, 2011 and 2010, respectively. Contributions made by the District to the Plan were \$89,202 and \$84,526, respectively.

457 and Roth IRA plans - The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and Roth IRA ("the Plans"). The Plans, administered by the System and available to all District full-time permanent employees, permits an employee to defer a portion of their salary until future years. The deferred compensation is not available to employees or their beneficiaries until termination, retirement, death, or unforeseeable emergency.

The employer contribution to the Plans was \$0 for both years. Employee contributions for the years ended June 30, 2011 and 2010 for the 457 Plan were \$28,116 and \$27,759 and for the Roth IRA plan the contributions were \$27,961 and \$25,748, respectively.

The 401(k), 457 and the Roth IRA plans are included in a publicly available financial report that includes financial statements and required supplementary information. A copy of the System's report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Note 10 - Commitments and contingent liabilities The District is contingently liable for an amount equal to 35% of its direct liability on the original contract with the Association for costs incurred on the Deer Creek Division of the Provo River Project if other subscribers default, and shares remain unsold. The maximum contingent liability amounted to approximately \$665,000 at June 30, 2011.

Metropolitan Water District of Salt Lake & Sandy

Notes to Financial Statements (continued)

Note 10 - Commitments and contingent liabilities (continued) The District entered into a separate agreement with Sandy City for the District to purchase water rights in the Ontario Drain Tunnel. The rights are owned by the District and were purchased using a portion of the Series 2005 water revenue bond proceeds. As part of the agreement, Sandy City will pay special assessments to cover the portion of the bond payments corresponding to the purchase. The expected flow of cash from these assessments is as follows:

| June 30 | Assessment Payments |
|--------------|----------------------|
| 2012 | \$ 958,607 |
| 2013 | 982,859 |
| 2014 | 988,040 |
| 2015 | 1,006,729 |
| 2016 | 1,014,554 |
| 2017-2021 | 5,095,695 |
| 2022-2026 | 5,148,872 |
| 2027-2031 | 5,423,175 |
| Total | \$ 20,618,531 |

The District has an agreement with Salt Lake City and Sandy City to pay special assessments related to capital improvements for the City's respective share of capacity in the Point of the Mountain Water Treatment Plant, Point of the Mountain Aqueduct, and improvements to Little Cottonwood Water Treatment Plant. The expected flow of cash from these assessments is as follows:

| June 30 | Assessment Payments |
|--------------|-----------------------|
| 2012 | \$ 11,232,214 |
| 2013 | 11,232,214 |
| 2014 | 11,232,214 |
| 2015 | 11,232,214 |
| 2016 | 11,232,214 |
| 2017-2021 | 56,161,070 |
| 2022-2026 | 56,161,070 |
| 2027-2031 | 56,161,070 |
| 2032-2036 | 39,312,749 |
| Total | \$ 263,957,029 |

Major customers - The District has 2 major customers that make up 98.07% and 91.96% of the District's water sales for 2011 and 2010, respectively. For the years ended June 30, 2011 and 2010, the percentages of water sales are as follows:

| | 2011 | 2010 |
|----------------|---------------|---------------|
| Salt Lake City | 74.19% | 69.12% |
| Sandy City | 23.88% | 22.84% |
| Total | 98.07% | 91.96% |

Metropolitan Water District of Salt Lake & Sandy

Notes to Financial Statements (continued)

Note 11 - Prior period adjustment During 2011, the District determined that certain capital assets that had been previously transferred were not properly recorded. As a result, beginning net assets, and capital assets have been adjusted to restate the District's position for the year ended June 30, 2010. The effect of the adjustment is shown below.

| | Capital assets, net | Invested in capital assets, net of debt | Beginning net assets |
|------------------------------|------------------------|---|-------------------------|
| June 30, 2010, as reported | \$ 350,845,523 | \$ 96,379,194 | \$ 153,353,364 |
| Adjustment to capital assets | (2,882,082) | (2,882,082) | (2,882,082) |
| June 30, 2010, as restated | \$ 347,963,441 | \$ 93,497,112 | \$ 150,471,282 |

Note 12 - Subsequent event The District evaluated all events or transactions that occurred after June 30, 2011 through November 21, 2011, the date the financial statements were available to be issued. During this period, the District did not have any material recognizable subsequent events.



**INDEPENDENT AUDITOR'S REPORT
ON STATE OF UTAH
LEGAL COMPLIANCE**

Jensen & Keddington, P.C.

Certified Public Accountants

Jeffery B. Jensen, CPA
Gary K. Keddington, CPA
Brent E. Christensen, CPA
Jeffrey B. Hill, CPA
Gregory B. White, CPA

Board of Trustees
Metropolitan Water District of Salt Lake & Sandy
Cottonwood Heights, Utah

We have audited Metropolitan Water District of Salt Lake & Sandy's (the District) compliance with general and major state program compliance requirements described in the *State of Utah Legal Compliance Guide* for the year ended June 30, 2011. The general compliance requirements applicable to the District are identified as follows:

| | |
|--|------------------------------------|
| Public Debt | Special Service and Local District |
| Cash Management | Other General Compliance Issues |
| Purchasing Requirements | Utah Retirement Systems |
| Budgetary Compliance | Fund Balance Limitation |
| Truth in Taxation and Property Tax Limitations | |

The District did not receive any major or nonmajor State grants during the year ended June 30, 2011.

Compliance with the requirements referred to above is the responsibility of the District's management. 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; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the State of Utah Legal Compliance Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the major assistance programs or general compliance requirements identified above. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District, complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with the State of Utah Legal Compliance Audit Guide and which are described in the accompanying *Schedule of Findings* as item 2011-1.

Management's response to the finding identified in our audit is described in the accompanying *Schedule of Findings*. We did not audit management's response, and accordingly, we express no opinion on it.

Our audit does not provide a legal determination on the District's compliance with these requirements.

This report is intended solely for the information and use of management of the District and is not intended to be and should not be used by anyone other than these parties. However, the report is a matter of public record and its distribution is not limited.

Jensen & Keddington

November 1, 2011

Metropolitan Water District of Salt Lake & Sandy

Schedule of Findings - Compliance - State of Utah

2011-1 Treasurer Fidelity Bond

Finding:

The State of Utah Legal Compliance Guide states: "The public treasurer shall secure a fidelity bond, based on the previous year's budgeted gross revenues". During our audit, we noted that the District is under-bonded for the 2011 fiscal year based off of fiscal year 2010's budgeted gross revenues.

Recommendation:

We recommend that the District ensure it is adequately bonded each year by calculating the minimum bonding requirements.

Management Response:

As part of the District's internal control procedures, a review of policies and procedures is performed. During its annual review in June 2011, the District became aware that the treasurer's fidelity bond should have been established at approximately \$1,080,000 instead of the then existing bond amount of \$1,000,000 (see Utah Money Management Council rule R628-4 Bonding for Public Treasurers). Upon identification and as part of the annual renewal of insurance, the bond was upgraded to \$1,100,000 with an effective date of August 8, 2011.



**REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Jensen & Keddington, P.C.

Certified Public Accountants

Jeffery B. Jensen, CPA
Gary K. Keddington, CPA
Brent E. Christensen, CPA
Jeffrey B. Hill, CPA
Gregory B. White, CPA

Board of Trustees
Metropolitan Water District of Salt Lake & Sandy
Cottonwood Heights, Utah

We have audited the basic financial statements of Metropolitan Water District of Salt Lake & Sandy (the District) as of and for the year ended June 30, 2010 and 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 1, 2011. 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 opinions 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.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 or other matters that are required to be reported under *Government Auditing Standards*.

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

Jensen & Keddington

November 1, 2011

APPENDIX B

[CONFORMED COPY OF MASTER RESOLUTION]

The format of the Master Resolution (*i.e.*, font size, paragraph spacing, etc.) has been changed to allow for the presentation of this Official Statement to be as compact as possible.

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CONFORMED COPY

METROPOLITAN WATER DISTRICT OF SALT LAKE & SANDY

**MASTER RESOLUTION
PROVIDING FOR THE ISSUANCE OF
WATER REVENUE BONDS**

**RESOLUTION NO. 1739
ADOPTED APRIL 29, 2002**

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RESOLUTION NO. 1739

MASTER RESOLUTION PROVIDING FOR THE ISSUANCE OF WATER REVENUE BONDS

WHEREAS, the Board of Trustees of the Metropolitan Water District of Salt Lake & Sandy, a metropolitan water district duly organized and existing under the laws of the State of Utah (the “*Issuer*”), has determined that the interests of the Issuer and the public interest or necessity demand the acquisition, construction and completion of improvements, extensions and additions to the System of the Issuer in order to carry out the objects and purposes for which the Issuer was created and to finance the cost of such acquisition, construction and completion by the issuance of revenue bonds as authorized by law and to provide for the execution of contracts with the federal government, the State of Utah or other entities by the Issuer as authorized by law, all payable on a parity as to Revenues of the Issuer as provided herein;

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees of the Metropolitan Water District of Salt Lake & Sandy, as follows:

ARTICLE I

DEFINITIONS, STATUTORY AUTHORITY AND EQUALITY OF BONDS

Section 1.01. Definitions. Unless the context otherwise requires:

(a) The terms in this Section defined shall, for all purposes of the Resolution and of any certificate, opinion or other document herein mentioned, have the meanings herein specified; and

(b) Words importing the singular number shall include the plural number and vice versa, and words importing persons shall include firms, associations, trusts, corporations or governments or agencies or political subdivisions thereof.

ACCOUNT

“*Account*” means one of the accounts established pursuant to Section 5.02.

ACCOUNTANT’S CERTIFICATE

“*Accountant’s Certificate*” means a certificate signed by an Independent Public Accountant.

ACCREDITED AMOUNT

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

ACCRUED DEBT SERVICE

“*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 and any Contract, 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 and each Contract as an amount equal to the sum of (1) the interest on the Bonds of such Series (other than interest on Capital Appreciation Bonds constituting an Accreted Amount thereof) and on any related Security Instrument Repayment Obligation and on such Contract 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 all Principal Installments payable within the twelve-month period following the date of calculation for the Bonds of such Series (other than Subordinated Bond Anticipation Notes) and on any related Security Instrument Repayment Obligation and on such Contract 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

“*Act*” means collectively the Metropolitan Water District Act, Title 17A, Chapter 2, Part 8, Utah Code Annotated, the applicable provisions of Title 17B Utah Code Annotated 1953, as amended, the Utah Municipal Bond Act, Chapter 14 of Title 11, Utah Code Annotated 1953, as amended, and the Utah Refunding Bond Act, Chapter 27 of Title 11, Utah Code Annotated 1953, as amended, and all laws amendatory thereof or supplemental thereto.

AGENCY BONDS

“*Agency Bonds*” means bonds issued by an entity organized under the Interlocal Cooperation Act, Title 13 of Chapter 11, Utah Code Annotated 1953, as amended, including without limitation the Utah Water Finance Agency.

AGGREGATE DEBT SERVICE

“*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 for each Contract Outstanding and any Repayment Obligations outstanding for such period.

AUTHORIZED AMOUNT

“*Authorized Amount*” means, with respect to a Commercial Paper Program, the maximum principal amount of commercial paper which is then authorized by the Issuer to be outstanding at any one time pursuant to such Commercial Paper Program.

AUTHORIZED OFFICER

“*Authorized Officer*” means the Chairman, the General Manager, the Treasurer, the Secretary, and any other person authorized by resolution of the Governing Body to perform the act or sign the document in question.

AVERAGE AGGREGATE DEBT SERVICE

“*Average Aggregate Debt Service*” means, as of any date of calculation, the sum of (1) the Aggregate Debt Service on all Series of Bonds Outstanding as computed for each Fiscal Year during which any Series of Bonds is Outstanding or any of the Repayment Obligations are outstanding, divided by the number of such Fiscal Years plus (2) the Aggregate Debt Service on all Contracts Outstanding as computed for each Fiscal Year during which any Contract is Outstanding, divided by the number of such Fiscal Years.

BOND ANTICIPATION NOTES

“*Bond Anticipation Notes*” means bonds, notes, interim certificates or other evidences of indebtedness issued by the Issuer pursuant to the provisions of Section 2.05 in advance of the permanent financing of the Issuer for a Project.

BOND FUND

“*Bond Fund*” means the Fund by that name established in Section 5.02.

BONDS

“*Bonds*” means the bonds, notes or other obligations (other than Repayment Obligations and Contracts) authorized by and at any time Outstanding pursuant to the Resolution. The term Bonds includes Construction Bonds, Refunding Bonds and Bond Anticipation Notes.

BONDHOLDER

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

BUSINESS DAY

“*Business Day*” means a day of the year which is not a Saturday, Sunday or legal holiday in the State or a day on which the Trustee, any Transfer Agent, any Security Instrument Issuer or any Reserve Instrument Issuer is authorized or permitted to close.

CALENDAR YEAR

“*Calendar Year*” means the period commencing on January 1 of each year and terminating on the next succeeding December 31.

CAPITAL APPRECIATION BONDS

“*Capital Appreciation Bonds*” means Bonds the interest on which (1) is compounded and accumulated at the rates and on the dates set forth in the Supplemental Resolution authorizing the issuance of such Bonds and designating them as Capital Appreciation Bonds, and (2) is payable upon maturity or redemption of such Bonds.

CHAIRMAN

“*Chairman*” means the duly appointed or elected Chairman of the Issuer or its Governing Body, any successor to the principal functions thereof, or in the event of absence, incapacity or inability, the person authorized by law or designated by the Governing Body to perform the functions of the Chairman.

CODE

“*Code*” means the Internal Revenue Code of 1986, as amended and supplemented from time to time. Each reference herein 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 which are applicable to the Resolution, including the Bonds, the use of Bond proceeds or a Project.

COMMERCIAL PAPER PROGRAM

“*Commercial Paper Program*” means commercial paper obligations with maturities of not more than two hundred seventy (270) days from the dates of issuance thereof which are issued and reissued by the Issuer from time to time pursuant to Article II hereof and are outstanding up to an Authorized Amount.

COMPLETION DATE

“*Completion Date*” means the date of substantial completion of a Project as that date shall be certified as provided in Section 5.03(i) hereof.

CONSTRUCTION BONDS

“*Construction Bonds*” means all Bonds, whether issued in one or more Series, authenticated and delivered pursuant to Section 2.03, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefor pursuant to Article III or Section 4.04 or Section 8.06.

CONSTRUCTION FUND

“*Construction Fund*” means the Fund by that name established in Section 5.02.

CONTRACT

“*Contract*” means any contract entered into by the Issuer which by Supplemental Resolution is secured by the Revenues on a parity with any Bonds Outstanding under the Resolution to carry out the objects or purposes of the Issuer to repay the costs of a Project, providing for payments by the Issuer in installments, plus interest, as contemplated in Section 17A-2-824 of the Act.

CONTRACTING PARTY

“*Contracting Party*” means any party contracting with the Issuer in a Contract.

COST OF CONSTRUCTION

“*Cost of Construction*” means the costs of the Issuer properly attributable to the financing, acquisition, construction, reconstruction, modification or improvement of the System, as identified for a particular Project, and all expenses preliminary and incidental thereto incurred by the Issuer in connection therewith and in the issuance of the Bonds, including all engineering, fiscal and legal expenses and costs of issuance, printing and advertising for which funds may be disbursed from the Construction Fund and the establishment of necessary reserves and payment of interest during construction, including but not limited to:

- (1) Payment of the costs of acquiring, constructing, reconstructing, modifying, or improving a Project.
- (2) Payment of the initial or acceptance fee of the Trustee.
- (3) Payment to the Issuer of such amounts, if any, as shall be necessary to reimburse the Issuer in full for advances and payments theretofore made or costs theretofore incurred by the Issuer for any item of Cost of Construction.
- (4) Costs for the obtaining of any insurance policies or surety bonds with respect to a Project by the Issuer during the acquisition, construction, reconstruction, modification or improvement of such Project.

(5) Payment of audit fees and expenses for maintenance of construction records required to be kept with respect to a Project.

(6) Payment of the costs of any necessary litigation and the obtaining of all necessary permits, licenses and rulings.

(7) Payment of the costs of issuance of the Bonds including legal, accounting, fiscal agent and underwriting fees and expenses, payments and fees due under any agreement pursuant to which any Series of Bonds is sold, bond insurance premiums, bond discount, printing and engraving costs, and fees of rating agencies, incurred in connection with the authorization, sale and issuance of the Bonds and preparation of the Resolution and Supplemental Resolution pursuant to which the Bonds will be issued and fees, charges or other amounts coming due under any Security Instrument Agreement or Reserve Instrument Agreement.

(8) Payment of interest on the Bonds estimated to fall due during the period of construction of a Project and for up to twelve (12) months thereafter (or such different period as may then be permitted by law).

(9) The amount, if any, to be deposited into any Series Subaccount in the Debt Service Reserve Account pursuant to paragraph (11) of Section 2.02(a) or to provide for the other reserves to the extent permitted by law.

(10) Payment of principal of and interest on Bond Anticipation Notes, if any, issued by the Issuer in connection with the acquisition, construction, reconstruction, modification or improvement of a Project.

(11) Payment of any other costs and expenses relating to a Project, including Security Instrument Costs, Reserve Instrument Costs and fees and expenses of the Trustee during the acquisition, construction, reconstruction, modification or improvement of a Project.

(12) Amounts necessary to provide working capital related to a Project to the extent permitted by law.

CROSS-OVER DATE

“Cross-over Date” means the date on which the Principal or Redemption Price of the Cross-over Refunded Bonds is scheduled to be paid from the proceeds of Cross-over Refunding Bonds.

CROSS-OVER REFUNDED BONDS

“Cross-over Refunded Bonds” means Bonds refunded by Cross-over Refunding Bonds.

CROSS-OVER REFUNDING BONDS

“Cross-over Refunding Bonds” means Refunding Bonds the proceeds of which are irrevocably deposited in escrow in satisfaction of the requirements of Section 11-27-3, Utah Code Annotated 1953, as amended, to secure the payment on the Cross-over Date of the Principal or Redemption Price of the Cross-over Refunded Bonds (subject to possible use to pay Principal or Redemption Price of the Cross-over Refunding Bonds under certain circumstances) and the earnings on such escrow deposit are required to be applied to pay interest on the Cross-over Refunding Bonds to the Cross-over Date.

CURRENT INTEREST BONDS

“Current Interest Bonds” means Bonds not constituting Capital Appreciation Bonds. Interest on Current Interest Bonds shall be payable periodically on the interest payment dates provided therefor in a Supplement Resolution.

DEBT SERVICE

“Debt Service” means for any particular Fiscal Year and for any Series of Bonds, for any Contract, 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 (net of any interest subsidy with respect to Bonds paid or payable to or for the account of the Issuer by any governmental body or agency and net of any amounts deposited with the Trustee pursuant to Section 2.03(b)(2) and available to pay interest on Bonds) 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 Subordinated Bond Anticipation Notes) or Contract Outstanding, calculated on the assumption that Bonds and Contracts 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 then outstanding;

provided, however, that

(1) when calculating interest payable during such Fiscal Year for any Series of Variable Rate Bonds (for which there is no Interest Rate Swap) or 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 sixty (60) 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 Issuer'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 on the date of computation in the same amount, with the same maturity or maturities, with the same security, and bearing interest at a variable rate computed in a comparable manner;

(2) when calculating interest payable during such Fiscal Year for any Series of Variable Rate Bonds which are issued with an Interest Rate Swap in which the Issuer has agreed (directly or indirectly through Agency Bonds) to pay a fixed rate and the Swap Counterparty has agreed to pay a variable rate that an Authorized Officer of the Issuer certifies in a Written Certificate of the Issuer approximates the variable rate payable on such Series of Variable Rate Bonds, such Series of Variable Rate Bonds shall be deemed to bear interest at the fixed rate of such Interest Rate Swap; provided that such fixed rate may be utilized only so long as such Interest Rate Swap is contracted to remain in full force and effect;

(3) when calculating interest payable during such Fiscal Year for any Series of Bonds which are issued with a fixed interest rate and with respect to which an Interest Rate Swap is in effect in which the Issuer has agreed to pay (directly or indirectly through Agency Bonds) a variable rate and the Swap Counterparty has agreed to pay a fixed rate that an Authorized Officer of the Issuer certifies in a Written Certificate of the Issuer approximates the fixed rate payable on such Series of Bonds, it shall be assumed that such Series of Bonds shall bear interest at a variable rate certified by the Issuer's financial advisor, underwriter or other agent, including a Remarketing Agent, to be the rate of interest such Series of Bonds would bear if issued on the date of computation in the same amount, with the same maturity or maturities, with the same security, and bearing interest at a variable rate computed in a comparable manner; provided that such variable rate shall be utilized only so long as such Interest Rate Swap is contracted to remain in full force and effect; and

(4) when calculating interest payable during such Fiscal Year with respect to any Commercial Paper Program, "*Debt Service*" shall mean an amount equal to the sum of all principal and interest payments that would be payable during such Fiscal Year assuming that the Authorized Amount of such Commercial Paper Program is amortized on a level debt service basis over a period of 30 years beginning on the date of calculation or the period during which obligations can be issued under such Commercial Paper Program, and bearing interest (A) at an interest rate equal to the average of the interest rates applicable to such Commercial Paper Program during any consecutive 12-month period during the immediately preceding 24 months (or a shorter period, commencing on

the date obligations are first issued under the Commercial Paper Program) ending within 30 days prior to the date of computation, or (B) with respect to any Commercial Paper Program for which such an average of the interest rates cannot be determined, at an interest rate certified by the Issuer's financial advisor, underwriter or other agent, including a Remarketing Agent, to be the rate of interest that obligations of the Commercial Paper Program would bear if issued on the date of computation in the Authorized Amount, with the same security, bearing interest at a variable rate computed in a comparable manner; and

(5) When calculating interest payable on Bonds that are Paired Obligations, the interest rate on such Bonds shall be the resulting linked rate or effective fixed interest rate to be paid by the Issuer with respect to such Paired Obligations.

and *further provided, however*, that there shall be excluded from "Debt Service" (1) interest on Bonds (whether Cross-over Refunding Bonds or Cross-over Refunded Bonds) to the extent that Escrowed Interest is available to pay such interest, (2) Principal of Cross-over Refunded Bonds to the extent that the proceeds of Cross-over Refunding Bonds are on deposit in an irrevocable escrow in satisfaction of the requirements of Section 11-27-3, Utah Code Annotated 1953, as amended, and such proceeds or the earnings thereon are required to be applied to pay such Principal (subject to the possible use to pay the Principal of the Cross-over Refunding Bonds under certain circumstances) and such amounts so required to be applied are sufficient to pay such Principal, and (3) Repayment Obligations to the extent that payments on Pledged Bonds relating to such Repayment Obligations satisfy the Issuer's obligation to pay such Repayment Obligations.

DEBT SERVICE ACCOUNT

"*Debt Service Account*" means the Account in the Bond Fund by that name established in Section 5.02.

DEBT SERVICE RESERVE ACCOUNT

"*Debt Service Reserve Account*" means the Debt Service Reserve Account in the Bond Fund established in Section 5.02.

DEBT SERVICE RESERVE REQUIREMENT

"*Debt Service Reserve Requirement*" means, with respect to each Series of Bonds and each Contract for which a Series Subaccount corresponding to such Series of Bonds or such Contract, as the case may be, has been established in a Debt Service Reserve Account, the amount specified in the Supplemental Resolution establishing such Series Subaccount.

DEPOSITARY

“*Depositary*” means any bank or trust company selected by the Issuer and satisfactory to the Trustee as a depository of moneys and securities held under the provisions of the Resolution and may include the Trustee.

ENGINEER’S CERTIFICATE

“*Engineer’s Certificate*” means a certificate or opinion signed by a Qualified Engineer.

ESCROWED INTEREST

“*Escrowed Interest*” means earnings on amounts irrevocably deposited in escrow in accordance with the requirements of Section 11-27-3, Utah Code Annotated 1953, as amended, in connection with the issuance of Cross-over Refunding Bonds, which earnings are required to be applied to pay interest on such Cross-over Refunding Bonds to and including the Cross-over Date.

ESTIMATED COMPLETION DATE

“*Estimated Completion Date*” means the estimated date upon which a Project will have been substantially completed in accordance with the plans and specifications applicable thereto as that date shall be set forth in the Engineer’s Certificate.

ESTIMATED NET REVENUES

“*Estimated Net Revenues*” means, for any Fiscal Year, the estimated Revenues for such Fiscal Year plus the estimated proceeds of the tax levy to pay Operation and Maintenance Costs for which provision is made in Section 17A-2-818(6) of the Act or similar successor provision of law, less the estimated Operation and Maintenance Costs for such Fiscal Year, based upon estimates prepared by a Qualified Engineer and approved by a duly adopted 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 to the Issuer in such Fiscal Year from: (1) any rate increase which was put into effect prior to the delivery of a Series of Bonds or the execution of a Contract in connection with which an estimate is made; (2) any customers connected to the System during or subsequent to the Fiscal Year for which the Estimated Net Revenues are being computed; (3) any new contracts entered into by the Issuer for the sale of water from the System; (4) any improvements or extensions to the System to be acquired or constructed in whole or in part with the proceeds of a Series of Bonds or from other sources; and (5) any increase in the amount of taxes that are expected to be levied to pay Operation and Maintenance Costs. 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.

EVENT OF DEFAULT

“*Event of Default*” has the meaning specified in Section 9.01.

FIDUCIARY OR FIDUCIARIES

“*Fiduciary*” or “*Fiduciaries*” means the Trustee, the Paying Agents, any Transfer Agent, any Depositary, or any or all of them, as may be appropriate.

FINANCIAL NEWSPAPER OR JOURNAL

“*Financial Newspaper or Journal*” means *The Wall Street Journal* or *The Bond Buyer* or any other newspaper or journal printed in the English language and customarily published on each business day devoted to financial news and selected by the Trustee, whose decision shall be final.

FITCH

“*Fitch*” means Fitch Ratings, its successors and assigns.

FISCAL YEAR

“*Fiscal Year*” means the annual accounting period of the Issuer as from time to time in effect, initially a period commencing on July 1 of each Calendar Year and ending on the next succeeding June 30.

FUND

“*Fund*” means one of the funds confirmed and established pursuant to Section 5.02. The term “Fund” does not include any Rebate Fund.

GENERAL OBLIGATION BONDS

“*General Obligation Bonds*” means any general obligation bonds or other indebtedness hereafter incurred by the Issuer that is secured by a pledge of and is payable from the proceeds of taxes or assessments levied by the Issuer under the Act.

GOVERNING BODY

“*Governing Body*” means the Board of Trustees of the Issuer, or any other governing body of the Issuer hereafter provided for by law.

GOVERNMENT OBLIGATIONS

“*Government Obligations*” means:

(1) Direct obligations (including obligations issued or held in book-entry form on the books of the Department of Treasury) of the United States of America, securities unconditionally guaranteed by, or backed by the full faith and credit of, the United States of America, and evidences of ownership interests in such direct or unconditionally-guaranteed obligations; and

(2) Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which: (A) are not callable at the option of the obligor or otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice; (B) are rated, based on the escrow, in the highest rating category of S&P and Moody’s; and (C) are fully-secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or obligations described in clause (1) above, which fund may be applied only to the payment of interest when due, principal of and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable notice, as appropriate.

INDEPENDENT PUBLIC ACCOUNTANT

“*Independent Public Accountant*” means any certified public accountant or firm of such accountants appointed and paid by the Issuer, and who, or each of whom: (1) is in fact independent and not under domination of the Issuer; (2) does not have any substantial interest, direct or indirect, with the Issuer; (3) is not connected with the Issuer as an officer or employee of the Issuer, but who may be regularly retained to make annual or other audits of the books of or reports to the Issuer; and (4) is satisfactory to the Trustee.

The Trustee shall be entitled to rely on the written statement of a certified public accountant or firm of such accountants as to his or its compliance with the terms of this definition.

INTEREST RATE SWAP

“*Interest Rate Swap*” means an interest rate exchange agreement between the Issuer or the Trustee and a Swap Counterparty related to Bonds of one or more Series (including a Series of Bonds pledged to the payment of Agency Bonds for which there is an interest rate exchange agreement that is taken into account in determining the amount of interest payable by the Issuer) whereby a variable rate cash flow (which may be subject to any interest rate cap) on a principal or notional amount is exchanged for a fixed rate of return on an equal principal or notional amount. If the Issuer or the Trustee enters into more than one Interest Rate Swap with respect to a Series of Bonds, each Interest Rate Swap shall specify the same payment dates.

INVESTMENT SECURITIES

“*Investment Securities*” means any of the following securities, if and to the extent that the same are at the time legal for investment of the Issuer’s funds:

(1) Government Obligations;

(2) Bonds, debentures or notes issued by, or fully guaranteed as to principal and interest by, the following agencies or instrumentalities of the United States in which a market is made by a primary reporting government securities dealer: (a) Federal Farm Credit banks (consolidated systemwide bonds and notes only), (b) Federal Home Loan banks (senior debt obligations only), (c) Federal National Mortgage Association (mortgage-backed securities and senior debt obligations only), (d) Student Loan Marketing Association (senior debt obligations only), and (e) Federal Home Loan Mortgage Corporation (participation certificates and senior debt obligations only);

(3) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America: (a) Export-Import Bank, (b) Farm Credit System Financial Assistance Corporation, (c) Rural Economic Community Development Administration (formerly the Farmers Home Administration), (d) General Services Administration, (e) U.S. Maritime Administration, (f) Small Business Administration, (g) Government National Mortgage Association (GNMA), (h) U.S. Department of Housing & Urban Development (PHA’s), (i) Federal Housing Administration, and (j) Federal Financing Bank;

(4) Money market funds rated “AAAm” or “AAAm-G” or better by S&P;

(5) Commercial paper which is rated at the time of purchase in the single highest classification, P-1 by Moody’s or A-1+ by S&P, and which matures not more than 270 days after the date of purchase;

(6) Bonds, notes or other evidences or indebtedness rated “AAA” by S&P and “Aaa” by Moody’s issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years;

(7) U.S. dollar-denominated deposit accounts, federal funds and banker’s acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of “A-1” or “A-1+” by S&P and “P-1” by Moody’s and maturing not more than 360 days after the date of purchase (ratings on holding companies are not considered as the rating of the bank);

(8) the fund held by the Treasurer for the State and commonly known as the State Public Treasurer’s Investment Fund; and

(9) Investment agreements authorized by the State Money Management Act, Chapter 7 of Title 51, Utah Code Annotated 1953, as amended.

ISSUER

“*Issuer*” means the Metropolitan Water District of Salt Lake & Sandy, a metropolitan water district.

MOODY’S

“*Moody’s*” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer with the approval of the Trustee.

NET REVENUES

“*Net Revenues*” means, for any period, the Revenues during such period less any transfers from the Revenue Fund to pay the Operation and Maintenance Costs during such period.

OPERATION AND MAINTENANCE COSTS

“*Operation and Maintenance Costs*” means all actual operation and maintenance costs related to the System incurred by the Issuer in any particular Fiscal Year or period to which said term is applicable or charges made therefor during such 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.

Such Operation and Maintenance Costs include, but are not limited to, amounts paid by the Issuer for ordinary repairs, renewals and replacements of the System, for salaries and wages, employees’ health, hospitalization, pension and retirement expenses, fees and expenses for services, materials and supplies, rents, administrative and general expenses, insurance expenses, Security Instrument Costs, Reserve Instrument Costs, for Fiduciaries’ fees and expenses; Remarketing Agents’ and other agents’ fees and expenses; legal, engineering, accounting and financial advisory fees and expenses and costs of other consulting and technical services, training of personnel, taxes, payments in lieu of taxes and other governmental charges; costs of utilities services and other auxiliary services; charges imposed by other than the Issuer, fuel costs, payments for the purchase of water for distribution in the System pursuant to the provisions of any Water Purchase Contract or otherwise, and any other current expenses or obligations required to be paid by the Issuer under the provisions of the Resolution or by law, all to the extent properly allocable to the System.

Such 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 of principal, or amortization, of bonded or other indebtedness of the Issuer, including Security Instrument Repayment Obligations and

Reserve Instrument Repayment Obligations, costs, or charges made therefor, and do not include losses from the sale, abandonment, reclassification, revaluation or other disposition of any properties of the System.

OPERATION AND MAINTENANCE FUND

“*Operation and Maintenance Fund*” means the Fund by that name established in Section 5.02.

OPINION OF COUNSEL

“*Opinion of Counsel*” means a written opinion of counsel selected by the Issuer and satisfactory to the Trustee. Any Opinion of Counsel may be based, insofar as it relates to factual matters or information which is in the possession of the Issuer, upon a Written Certificate of the Issuer, unless such counsel knows, or in the exercise of reasonable care should have known, that such Written Certificate is erroneous.

OTHER AVAILABLE FUNDS

“*Other Available Funds*” means for any Fiscal Year the amount, set forth in a Written Certificate of the Issuer submitted to the Trustee, available throughout the applicable Fiscal Year for transfer from the Revenue Fund pursuant to Section 5.06(b), provided that such amount shall not exceed 15% of the Aggregate Debt Service, excluding amounts payable on Repayment Obligations, for such Fiscal Year.

OUTSTANDING

“*Outstanding*” means, as of any date of calculation (subject to the provisions of Section 8.04), all Contracts which by their terms have not expired and all Bonds which have been duly authenticated and delivered by the Trustee except:

- (a) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;
- (b) Bonds for the payment or redemption of which cash funds or Investment Securities defined in clause (1) of the definition of “Investment Securities” shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or redemption date of any such Bonds), *provided* that, if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the provisions of the Resolution or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee;

(c) Bonds in exchange for or in lieu of which other Bonds have been authenticated or delivered pursuant to the terms of Section 3.06, Section 4.04 or Section 8.06; and

(d) the Principal amount of any Bond issued pursuant to a Supplemental Resolution authorizing partial payment without cancellation if payment is noted on a payment record attached to such Bond provided such payment has been made.

PAIRED OBLIGATIONS

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

PAYING AGENT

“Paying Agent” means any bank or trust company designated as paying agent for the Bonds of any Series, and its successor or successors hereinafter appointed in the manner provided in Section 7.02 of the Resolution and as to any Contract, means the person or firm designated by the Contracting Party as provided under the terms of the Contract to receive payments of installments due under the Contract.

PLEGDED BONDS

“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

“Principal” means (a) with respect to any Capital Appreciation Bond, the Accreted Amount thereof (the difference between the stated amount to be paid at maturity and the Accreted Amount being deemed unearned interest), except as used in connection with the authorization and issuance of Bonds and with the order of priority of payment of Bonds after an Event of Default, in which case *“Principal”* means the initial public offering price of a Capital Appreciation Bond (the difference between the Accreted Amount and the initial public offering price being deemed interest), (b) with respect to any Current Interest Bond, the principal amount of such Bond payable at maturity, and (c) with respect to any Contract, the amount payable thereunder and designated therein or in the Supplemental Resolution authorizing such Contract as being allocable as the principal thereon.

PRINCIPAL INSTALLMENT

“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”* in this Section) 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, and (c) with respect to any Contract, so long as the Contract has not by its terms expired, an installment payable under the Contract due on a certain future date.

PRIOR LIEN BONDS

“Prior Lien Bonds” means the outstanding Water Revenue Bonds of the Issuer issued pursuant to the provisions of the Prior Resolution.

PRIOR RESOLUTION

“Prior Resolution” means the Resolution No. 1590 Providing for the Issuance of Water Revenue Bonds, adopted August 19, 1986, as supplemented and amended.

PROJECT

“Project” means the acquisition, construction and completion of improvements, extensions or additions (or an interest therein) to the System (including any water, waterworks, water rights or sources of water necessary or useful in connection with the System), regardless of whether the Issuer shall hold title thereto, if and to the extent that the same shall be designated by the Issuer as a Project in a Supplemental Resolution authorizing the issuance of the initial Series of Construction Bonds or Contract for such Project in accordance with Section 2.03. The Issuer need not become the owner of such improvements in order for them to constitute a Project.

PROJECT ACCOUNT

“Project Account” means the separate account for each Project in the Construction Fund pursuant to Section 5.03.

PUT BOND

“*Put Bond*” means any Bond which is part of a Series of Bonds which is subject to purchase by the Issuer, its agent or a third party from the Holder of the Bond pursuant to provisions of the Supplemental Resolution authorizing the issuance of the Bond and designating it as a “Put Bond.”

QUALIFIED ENGINEER

“*Qualified Engineer*” means any registered or licensed engineer or architect or engineer or firm of such engineers or architects and engineers generally recognized to be well qualified in engineering matters relating to construction and maintenance of municipal water systems, appointed and paid by the Issuer, who shall either: (a) be the chief engineer employed by the Issuer; or (b)(1) be in fact independent and not under the domination of the Issuer; (2) not have any substantial interest, direct or indirect, with the Issuer; and (3) not be connected with the Issuer as an officer or employee of the Issuer but who may be regularly retained to make annual or other periodic reports to the Issuer.

RATING AGENCY

“*Rating Agency*” means Moody’s, Standard & Poor’s or Fitch.

RATE COVENANT REQUIREMENT

“*Rate Covenant Requirement*” has the meaning specified in Section 6.12.

RATING CATEGORY

“*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.

REBATE FUND

“*Rebate Fund*” means the fund, if any, established with respect to a Series of Bonds issued under the Resolution, to provide for the payment of rebate pursuant to the applicable provisions of the Code.

RECORD DATE

“*Record Date*” means, with respect to any interest payment date for any Series of Bonds, the date specified as the Record Date in the Supplemental Resolution authorizing the issuance of such Series of Bonds.

REDEMPTION PRICE

“*Redemption Price*” means, with respect to any Bond, the Principal thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to any Supplemental Resolution.

REFUNDED DEBT

“*Refunded Debt*” has the meaning specified in Section 2.04(a).

REFUNDING BONDS

“*Refunding Bonds*” means all Bonds, whether issued in one or more Series, authenticated and delivered pursuant to Section 2.04, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefor pursuant to Article III or Section 4.04 or Section 8.06.

REMARKETING AGENT

“*Remarketing Agent*” means a remarketing agent appointed by the Issuer pursuant to Section 7.09 and its successors under the Resolution.

RENEWAL AND REPLACEMENT RESERVE FUND

“*Renewal and Replacement Reserve Fund*” means the Fund by that name established in Section 5.02 hereof.

RENEWAL AND REPLACEMENT RESERVE FUND REQUIREMENT

“*Renewal and Replacement Reserve Fund Requirement*” means the amount required to be on deposit in the Renewal and Replacement Fund. Initially, the Renewal and Replacement Reserve Fund Requirement shall be \$650,000. The Renewal and Replacement Reserve Fund Requirement may be increased or decreased from time to time by a Supplemental Resolution adopted pursuant to Sections 5.09(d) and 8.01(b)(15) hereof.

REPAYMENT OBLIGATIONS

“*Repayment Obligations*” means, collectively, all outstanding Security Instrument Repayment Obligations and Reserve Instrument Repayment Obligations.

RESERVE INSTRUMENT

“*Reserve Instrument*” means an instrument or other device (other than a Security Instrument) issued by a Reserve Instrument Issuer to satisfy all or any portion of the Debt Service Reserve Requirement, if any, for a Series of Bonds or a Contract. 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; *provided, however*, that no such device or instrument shall be a “Reserve Instrument” for purposes of this Resolution unless specifically so designated in the Supplemental Resolution authorizing the use of such device or instrument.

RESERVE INSTRUMENT AGREEMENT

“*Reserve Instrument Agreement*” means any outstanding agreement entered into by the Issuer and a Reserve Instrument Issuer pursuant to a Supplemental Resolution and providing for the issuance by such Reserve Instrument Issuer of a Reserve Instrument.

RESERVE INSTRUMENT COSTS

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

RESERVE INSTRUMENT COVERAGE

“*Reserve Instrument Coverage*” means, as of any date of calculation and with respect to each Reserve Instrument, the amount available to be paid under such Reserve Instrument into the related Series Subaccount in the Debt Service Reserve Account to satisfy all or any portion of the Debt Service Reserve Requirement.

RESERVE INSTRUMENT ISSUER

“*Reserve Instrument Issuer*” means any bank, savings and loan association, savings bank, thrift institution, credit union, insurance company, surety company or other institution issuing a Reserve Instrument.

RESERVE INSTRUMENT LIMIT

“*Reserve Instrument Limit*” means, as of any date of calculation and with respect to any Reserve Instrument, the maximum aggregate amount available to be paid under such Reserve Instrument into the related Series Subaccount in the Debt Service Reserve Account to satisfy all or any portion of the Debt Service Reserve Requirement, assuming for purposes of such calculation that the amount initially available under each Reserve Instrument has not been reduced or that the amount initially available under each Reserve Instrument has only been reduced as a result of the payment of Principal on the corresponding Series of Bonds upon redemption pursuant to Section 4.01 or purchase pursuant to Section 5.10.

RESERVE INSTRUMENT REPAYMENT OBLIGATIONS

“*Reserve Instrument Repayment Obligations*” means, as of any date of calculation and with respect to any Reserve Instrument, any outstanding amounts payable by the Issuer under the Reserve Instrument Agreement or the Supplemental Resolution authorizing the use of such Reserve Instrument to repay the Reserve Instrument Issuer for payments previously made by it pursuant to a Reserve Instrument. There shall not be included in the calculation of Reserve Instrument Repayment Obligations any Reserve Instrument Costs. Each Reserve Instrument Agreement or the Supplemental Resolution authorizing the use of such Reserve Instrument shall specify any amounts payable under it which, when outstanding, shall constitute Reserve Instrument Repayment Obligations.

RESOLUTION

“*Resolution*” means this Resolution providing for the issuance of Water Revenue Bonds as from time to time amended or supplemented by Supplemental Resolutions.

REVENUE FUND

“*Revenue Fund*” means the special enterprise fund of the Issuer known as the “Metropolitan Water District of Salt Lake & Sandy Revenue Fund” established in Section 5.02, which is and shall continue to be kept separate and apart from any other Issuer funds and accounts.

REVENUES

“*Revenues*” means all revenues, fees, income, rents and receipts derived by the Issuer from or attributable to the System. Revenues also includes:

- (a) the proceeds of any insurance covering business interruption loss and any insurance resulting from casualty damages to the assets of the System,
- (b) proceeds from the sale of any property of the System permitted under the Resolution or any lease or contractual arrangement with respect to the use of the System or the services, capacity or output thereof,
- (c) all interest, profits or other income derived from the investment of any moneys held pursuant to the Resolution and required to be paid into the Revenue Fund, and
- (d) the proceeds of any interest subsidy with respect to the Bonds paid for or for the account of the Issuer by any governmental body or agency.

Revenues shall not include: (a) proceeds received on insurance resulting from casualty damage to assets of the System; (b) the proceeds of sale of Bonds, notes or other obligations issued for System purposes; (c) proceeds of any ad valorem property tax levied by the Issuer, including, without limitation, such taxes levied by the Issuer pursuant to the Act to pay Operation and Maintenance Costs; or (d) moneys received under any Security Instrument or any Reserve Instrument.

SALT LAKE AQUEDUCT CONTRACT

“*Salt Lake Aqueduct Contract*” means the contract between the United States of America and the Issuer, dated November 16, 1938, and supplemented on December 13, 1946, and February 7, 1949.

SECRETARY

“*Secretary*” means the duly appointed or elected Secretary of the Issuer or its Governing Body, any successor to the principal functions thereof, or in the event of absence, incapacity or inability, the person authorized by law or designated by the Governing Body to perform the functions of the Secretary.

SECURITY INSTRUMENT

“*Security Instrument*” means an outstanding instrument or other device (other than a Reserve Instrument) issued by a Security Instrument Issuer to pay, or to provide security or liquidity for, a Series of Bonds or, with respect to Subsections 8.01(b)(9) and (10), a series of Agency 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; *provided, however*, that no such device or instrument shall be a “Security Instrument” for purposes of this Resolution unless specifically so designated (a) with respect to a Series of Bonds, in a Supplemental Resolution authorizing the use of such device or instrument, or (b) with respect to a series of Agency Bonds, a resolution or indenture authorizing the use of such device or instrument with respect to such Agency Bonds.

SECURITY INSTRUMENT AGREEMENT

“*Security Instrument Agreement*” means any agreement entered into by the Issuer and a Security Instrument Issuer pursuant to a Supplemental Resolution providing for the issuance by such Security Instrument Issuer of a Security Instrument.

SECURITY INSTRUMENT COSTS

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

SECURITY INSTRUMENT ISSUER

“*Security Instrument Issuer*” means any bank, savings and loan association, savings bank, thrift institution, credit union, insurance company, surety company or other institution issuing a Security Instrument.

SECURITY INSTRUMENT REPAYMENT OBLIGATIONS

“*Security Instrument Repayment Obligations*” means, as of any date of calculation and with respect to any Security Instrument, any outstanding amounts payable by the Issuer under the Security Instrument Agreement or the Supplemental Resolution authorizing the use of such Security Instrument to repay the Security Instrument Issuer for payments previously or concurrently made by the Security Instrument Issuer pursuant to a Security Instrument. There shall not be included in the calculation of the amount of Security Instrument Repayment Obligations any Security Instrument Costs. If there are any Security Instrument Repayment Obligations in addition to payments of principal and interest on the related Series of Bonds, the Security Instrument Agreement or the Supplemental Resolution authorizing the use of such Security Instrument shall specify any amounts payable under it which, when outstanding, shall constitute Security Instrument Repayment Obligations and shall specify the portions of any such amounts that are allocable as principal of and as interest on such Security Instrument Repayment Obligations.

SERIES

“*Series*” means all of 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 Article III or Section 4.04 or Section 8.06.

SERIES SUBACCOUNT

“*Series Subaccount*” means the separate subaccount created for a Series of Bonds or a Contract, as the case may be, in the Debt Service Account pursuant to Section 5.07 or in the Debt Service Reserve Account pursuant to Section 5.08, as the case may be.

SINKING FUND INSTALLMENT

“*Sinking Fund Installment*” means an amount so designated which is established pursuant to Section 2.02(a)(8). The portion of any such Sinking Fund Installment remaining after the deduction of any such amounts credited pursuant to Section 5.06(c), 5.07(d) or 5.10 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.

STANDARD & POOR’S

“*Standard & Poor’s*” or “*S&P*” means Standard & Poor’s Ratings Services, a division of McGraw Hill Inc., a corporation, its successors and their assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Standard & Poor’s” or “*S&P*” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer with approval of the Trustee.

STATE

“*State*” means the State of Utah.

SUBORDINATED BOND ANTICIPATION NOTES

“*Subordinated Bond Anticipation Notes*” means Bond Anticipation Notes, the Principal Installments on which have been subordinated pursuant to Section 2.05(b)(2).

SUBSCRIPTION CONTRACT

“*Subscription Contract*” means, collectively, the Subscription Contracts dated December 1, 1937, and April 28, 1944, between the Issuer and the Provo River Water Users’ Association, as amended and supplemented by the Amendatory Contract dated December 23, 1946, between the Issuer and the Provo River Water Users’ Association, and the Supplemental Contract dated November 16, 1959, among the United States, the Provo River Water Users’ Association, the Issuer and certain other metropolitan water districts named therein.

SUPPLEMENTAL RESOLUTION

“*Supplemental Resolution*” means any resolution in full force and effect which has been duly adopted by the Governing Body under the Act; but only if and to the extent that such Supplemental Resolution is adopted in accordance with the provisions of the Resolution.

SWAP COUNTERPARTY

“*Swap Counterparty*” means a provider of an Interest Rate Swap provided that such provider satisfies any applicable requirements of the Money Management Act, Chapter 7 of Title 51, Utah Code Annotated 1953, as amended.

SYSTEM

“*System*” means the complete water collection, conservation, development, storage, treatment, supply, transportation and distribution system of the Issuer, including all improvements, extensions, and additions thereto which may be made while any of the Bonds remain Outstanding, and all property, real, personal and mixed, appurtenances and related facilities, of every nature now or hereafter owned or operated by the Issuer and used or useful in the collection, conservation, development, storage, treatment, supply, transportation and distribution of water. Unless so designated by a Supplemental Resolution, System shall not include any facilities for the generation, transmission or distribution of electricity.

TAX EXEMPTION CERTIFICATE

“*Tax Exemption Certificate*” means any agreement, or certificate delivered by the Issuer in connection with the issuance of a Series of Bonds, the execution of a Contract in order to assure the exclusion from gross income of interest received on such Series of Bonds or Contract, or in connection with the issuance of a series of Agency Bonds, the payment of which is secured by a pledge of a Series of Bonds.

TRANSFER AGENT

“*Transfer Agent*” means the Trustee and each and every additional agent appointed by the Issuer from time to time as the agent of the Issuer pursuant to Section 7.10 for the transfer and authentication of Bonds for so long as such appointment shall continue in effect.

TRUSTEE

“*Trustee*” means the trustee to be appointed by the Issuer pursuant to Section 7.01, its successors and assigns, and any other corporation or association which may at any time be substituted in its place as provided herein.

VARIABLE RATE BONDS

“*Variable Rate Bonds*” means, as of any date of calculation, Bonds the terms of which on such date of calculation are such that interest thereon for any future period of time is expressed to be calculated at a rate which is not susceptible of a precise determination.

WATER PURCHASE CONTRACT

“*Water Purchase Contract*” means any contract or agreement between the Issuer and a seller of water, pursuant to which the Issuer agrees to purchase and receive from the seller, and the seller agrees to sell and deliver water to the Issuer, as set forth in the contract or agreement, including, without limitation, the Subscription Contract.

WRITTEN CERTIFICATE OF THE ISSUER, WRITTEN REQUEST OF THE ISSUER, WRITTEN STATEMENT OF THE ISSUER

“*Written Certificate of the Issuer*”, “*Written Request of the Issuer*” and “*Written Statement of the Issuer*” means an instrument in writing signed on behalf of the Issuer by an Authorized Officer thereof. Any such instrument and any supporting opinions or certificates may, but need not, be combined in a single instrument with any other instrument, opinion or certificate, and the two or more so combined shall be read and construed so as to form a single instrument. Any such instrument may be based, insofar as it relates to legal, accounting or engineering matters, upon the opinion or certificate of counsel, consultants, accountants or engineers, unless the Authorized Officer signing such Written Certificate or Request or Statement knows, or in the exercise of reasonable care should have known, that the opinion or certificate with respect to the matters upon which such Written Certificate or Request or Statement may be based, as aforesaid, is erroneous. The same Authorized Officer, or the same counsel, consultant, accountant or engineer, as the case may be, need not certify to all of the matters required to be certified under any provision of the Resolution, but different Authorized Officers, counsel, consultants, accountants or engineers may certify to different facts, respectively. Every Written Certificate or Request or Statement of the Issuer, and every certificate or opinion of counsel, consultant, accountant or engineer provided for herein shall include:

- (1) a statement that the person making such certificate, request, statement or opinion has read the pertinent provisions of the Resolution to which such certificate, request, statement or opinion relates;
- (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate, request, statement or opinion is based;
- (3) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; and
- (4) with respect to any statement relating to compliance with any provision hereof, a statement whether or not, in the opinion of such person, such provision has been complied with.

YEAR

“*Year*” means any period of twelve consecutive months.

Section 1.02. Authority for the Resolution. The Resolution is adopted pursuant to the provisions of the Act.

Section 1.03. Resolution to Constitute a Contract; Equal Security. In consideration of the acceptance of the Bonds by those who shall hold the same from time to time, the issuance by Security Instrument Issuers from time to time of Security Instruments and the issuance by Reserve Instrument Issuers from time to time of Reserve Instruments, the Resolution shall be deemed to be and shall constitute a contract between and among the Issuer and the Holders from time to time of the Bonds, such Security Instrument Issuers and such Reserve Instrument Issuers, and the pledge made in the Resolution by the Issuer and the covenants and agreements set forth in the Resolution to be performed by the Issuer shall be, except as expressly provided in or permitted by the Resolution:

FIRST, for the equal and proportionate benefit, security and protection of all Bondholders, all Contracting Parties and all Security Instrument Issuers, without preference, priority or distinction as to security or otherwise of any of the Bonds, Contracts or Security Instrument Repayment Obligations over any of the others, except as otherwise expressly provided in or permitted by the Resolution, by reason of time of issuance, sale, delivery, maturity or expiration thereof or otherwise for any cause whatsoever; and

SECOND, for the equal and proportionate benefit, security and protection of all Reserve Instrument Issuers, without preference, priority or distinction as to security or otherwise of any Reserve Instrument Issuer over any of the others by reason of time of issuance, delivery or expiration thereof or otherwise for any cause whatsoever.

ARTICLE II

AUTHORIZATION AND ISSUANCE OF BONDS

Section 2.01. Authorization of Bonds. Bonds designated as “*Water Revenue Bonds*” (or “*Water Revenue Notes*,” as appropriate) and Contracts are hereby authorized to be issued by the Issuer under the Resolution. The maximum Principal amount of the Bonds and Contracts which may be issued hereunder is not limited; *provided, however*, the Issuer reserves the right to limit or restrict the aggregate Principal amount of the Bonds and Contracts which may at any time be issued or Outstanding hereunder. Bonds may be issued in such Series as from time to time shall be established and authorized by the Issuer. The Bonds may be issued in one or more Series

pursuant to one or more Supplemental Resolutions. Unless otherwise provided in a Supplemental Resolution, the designation of the Bonds shall include, in addition to the name "Water Revenue Bonds" (or "Water Revenue Notes," as appropriate), such further appropriate particular designation added to or incorporated in such title for the Bonds of any particular Series as the Issuer may determine. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

Section 2.02. General Provisions for the Issuance of Bonds. (a) Whenever the Issuer shall determine to issue any Series of Bonds, the Issuer shall adopt a Supplemental Resolution which shall specify the following:

- (1) The purpose for which such Series of Bonds is to be issued, which shall be for a purpose set forth in Section 2.03, Section 2.04 or Section 2.05, or a combination of such purposes;
- (2) The authorized Principal amount and Series designation of such Series of Bonds;
- (3) The date, any Record Date and the maturity date or dates of the Bonds of such Series;
- (4) The interest payment dates and the interest rate or rates (including a zero interest rate) of the Bonds of such Series, or the manner of determining such rate or rates, *provided* that if such Bonds are Variable Rate Bonds, the Supplemental Resolution authorizing such Series of Bonds shall specify the maximum rate of interest such Bonds may bear;
- (5) The authorized denominations of the Bonds of such Series;
- (6) Any Paying Agents and the places of payment of the Principal and Redemption Prices, if any, of, and interest on, the Bonds of such Series, and, if other than the Trustee, any Transfer Agents and the places where Bonds may be registered for transfer or exchange;
- (7) The Redemption Prices, if any, and subject to Article IV, the redemption terms, if any, for the Bonds of such Series;
- (8) The amount and due date of each Sinking Fund Installment, if any, for the Bonds of such Series;
- (9) The amount, if any, to be deposited into the Construction Fund;
- (10) The amount of such proceeds, if any, representing accrued interest on such Series of Bonds to the date of delivery thereof to be deposited into the Series Subaccount established for such Series of Bonds in the Debt Service Account;

(11) The Debt Service Reserve Requirement for such Series of Bonds, if any, pursuant to Section 5.08 and the amount, if any, to be deposited into any Series Subaccount established for such Series of Bonds in the Debt Service Reserve Account;

(12) The amount of money, if any, to be deposited as working capital amounts from any legally available source into the Operation and Maintenance Fund;

(13) The amount of money, if any, from the proceeds of the sale of such Series of Bonds, or from other legally available sources, to be deposited into the Renewal and Replacement Reserve Fund;

(14) The form of the Bonds of such Series;

(15) To the extent applicable, any Security Instrument or Reserve Instrument authorized to be executed and delivered by the Issuer in connection with the issuance of the Bonds of such Series;

(16) Any further covenants by the Issuer required by any Security Instrument Issuer, Reserve Instrument Issuer or purchaser of Bonds or otherwise deemed necessary or desirable by the Issuer; and

(17) In the case of the Supplemental Resolution authorizing the issuance of the first Series of Bonds, the appointment of the Trustee.

The Supplemental Resolution shall establish a separate Series Subaccount in the Debt Service Account for each Series of Bonds and, if a Debt Service Reserve Requirement has been established for such Series of Bonds, shall also establish a separate Series Subaccount in the Debt Service Reserve Account for such Series of Bonds.

(b) The Bonds of any Series shall be executed by the Issuer for issuance under the Resolution and delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered to the Issuer or upon the Written Request of the Issuer but only upon receipt by the Trustee of the following documents or moneys or securities, all of such documents dated or certified, as the case may be, as of the date of such delivery by the Trustee (unless the Trustee shall accept any of such documents bearing a prior date):

- (1) A certified copy of the Supplemental Resolution authorizing the issuance of the Bonds of such Series;
- (2) A Written Request of the Issuer as to the delivery of the Bonds of such Series;
- (3) An Opinion of Counsel of nationally recognized standing in the field of law relating to municipal bonds to the effect that (A) the Issuer has the power under the Act, as amended to the date of such Opinion, to issue the Bonds of such Series, to adopt the Resolution, and the Resolution has been duly and lawfully adopted by the Issuer, is in

full force and effect and is valid and binding upon the Issuer and enforceable in accordance with its terms, and no other authorization for the Resolution is required; (B) the Resolution creates the valid pledge which it purports to create of the Revenues, moneys, securities and funds held or set aside under the Resolution, subject to the application thereof to the purposes and on the conditions permitted by the Resolution and subject to any then-existing prior rights described in Section 5.01(a); (C) the Bonds of such Series are valid and binding special obligations of the Issuer, enforceable in accordance with their terms and the terms of the Resolution and entitled to the benefits of the Resolution and the Act as amended to the date of such Opinion; and (D) the Bonds of such Series have been duly and validly authorized and issued in accordance with law and the Resolution; *provided, however*, that such Opinion of Counsel may contain limitations acceptable to the purchaser of such Series of Bonds, including limitations as to enforcement by bankruptcy or similar laws, equity principles, sovereign police powers, and federal powers;

(4) A Written Certificate of the Issuer setting forth (A) the Debt Service for each Fiscal Year of the Bonds of such Series or (B) the Aggregate Debt Service for all Outstanding Bonds and Outstanding Contracts, including such Series of Bonds being issued, for each Fiscal Year, whichever is applicable, and containing such additional statements as may be reasonably necessary to show compliance with the requirements of the Resolution;

(5) The amounts, if any, necessary for deposit into the Construction Fund, the appropriate Series Subaccount in the Debt Service Account, in the appropriate Series Subaccount, if any, in the Debt Service Reserve Account, the Operation and Maintenance Fund and the Renewal and Replacement Reserve Fund as required pursuant to Section 2.02(a), paragraphs (9), (10), (11), (12) and (13) respectively; and

(6) Such further documents, moneys and securities as are required by the provisions of Section 2.03, Section 2.04 or Section 2.05 or of any Supplemental Resolution.

(c) The Issuer may authorize by Supplemental Resolution the use of one or more Security Instruments with respect to any Series of Bonds and the execution and delivery of any Security Instrument Agreements deemed necessary in connection therewith.

(d) The Issuer may authorize by Supplemental Resolution the issuance and delivery to the Trustee of one or more Reserve Instruments and the execution and delivery of any Reserve Instrument Agreements deemed necessary in connection therewith.

(e) The Issuer may authorize by Supplemental Resolution the issuance of Put Bonds; *provided* that any obligation of the Issuer to pay the purchase price of any such Put Bonds shall not be secured by a pledge of Revenues on a parity with the pledge contained in Section 5.01. The Issuer may provide for the appointment of such Remarketing Agents, indexing agents or other agents as the Issuer may determine.

(f) The Issuer may authorize by Supplemental Resolution such other provisions relating to a Series of Bonds as are permitted by law and are consistent with the provisions of the Resolution.

(g) After the original issuance of the Bonds of any Series, no Bonds of such Series shall be issued except in lieu of or in substitution for other Bonds of such Series pursuant to Article III or Section 4.04 or Section 8.06.

(h) Notwithstanding any provision of this Section 2.02 to the contrary, a Supplemental Resolution may provide for the delivery of a Series of Bonds, issued in the form of a single Bond in installments to be noted by the Trustee in a delivery schedule on the reverse side thereof or attached thereto.

Section 2.03. Special Provisions for the Issuance of Construction Bonds. (a) One or more Series of Construction Bonds may be authenticated and delivered upon original issuance from time to time in such Principal amount for each such Series as may be determined by the Issuer for the purpose of paying or providing for the payment of all or a portion of (1) the Cost of Construction of a Project, (2) Principal, Redemption Price and interest on Bond Anticipation Notes or (3) any combination of (1) and (2). Each such Series shall be in such Principal amount which, when taken together with funds previously used or to be provided by the Issuer for such Project, will provide the Issuer with sufficient funds to pay the estimated Cost of Construction of such Project, as set forth in the Written Certificate of the Issuer furnished pursuant to Section 2.03(c)(1).

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

(1) shall specify the Project for which the proceeds of such Series of Construction Bonds will be applied; and

(2) may require the Issuer to deposit a specified amount of money from the proceeds of the sale of such Series of Construction Bonds or from other legally available sources into a Project Account in the Construction Fund to pay when due all or a portion of the interest on such Series of Construction Bonds accrued and to accrue to the Estimated Completion Date set forth in the Written Certificate of the Issuer delivered with respect to such Series of Construction Bonds pursuant to Section 2.03(c)(1), plus interest to accrue on such Series of Construction Bonds after the Estimated Completion Date for up to one Year (or such different period as may then be permitted by law).

(c) Each Series of Construction Bonds shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the documents required by Sections 2.02 and 2.03(d)) of the following documents, all dated as of the date of such delivery (unless the Trustee shall accept any of such documents bearing a prior date):

(1) a Written Certificate of the Issuer setting forth the then Estimated Completion Date and the then estimated Cost of Construction of the Project being financed by such Series of Bonds; and

(2) a Written Certificate of the Issuer to the effect that, upon the authentication and delivery of the Bonds of such Series, no event will have occurred which, with the passage of time or the giving of notice, or both, would give rise to an Event of Default under the Resolution.

(d) Each Series of Construction Bonds shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the documents required by Sections 2.02 and 2.03(c)) of the following documents, all dated as of the date of such delivery (unless the Trustee shall accept any of such documents bearing a prior date):

(1) Either:

(A) A Written Certificate of the Issuer (I) setting forth for the latest Fiscal Year for which the latest audited financial statement described in Section 6.11(b) is available prior to the authentication and delivery of such Series of Bonds, the Net Revenues for such period, and (II) showing that such Net Revenues for such Year would not be less than the Rate Covenant Requirement (for each Fiscal Year to and including the Fiscal Year in which occurs the latest maturity of such Series of Construction Bonds) with respect to all Bonds to be Outstanding at any time during the Year next following the issuance of the proposed Series of Bonds, and with respect to the Repayment Obligations to be outstanding at any time during the Year next following the issuance of the proposed Series of Bonds; or

(B) (I) an Engineer's Certificate, given by an engineer described in clause (b) of the definition of "*Qualified Engineer*," setting forth the Estimated Net Revenues (assuming the completion of the Project on its then Estimated Completion Date) either:

(i) if the Supplemental Resolution authorizing the Series of Bonds being issued requires that interest on the Series of Bonds be capitalized until a certain date pursuant to Section 2.03(b)(2), for each of the two Fiscal Years succeeding such date; or

(ii) if the Supplemental Resolution authorizing the Series of Bonds does not require that any interest on the Series of Bonds be capitalized pursuant to Section 2.03(b)(2), for the then current Fiscal Year and each succeeding Fiscal Year to and including the second Fiscal Year succeeding the Estimated Completion Date of the Project; and

(II) a Written Certificate of the Issuer showing the Aggregate Debt Service for each of the Fiscal Years set forth in the Engineer's Certificate delivered pursuant to paragraph (1) 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 the Rate Covenant Requirement for each of such Fiscal Years with respect to all Series of Bonds and all Contracts to be Outstanding and the Repayment Obligations that the Issuer anticipates will be outstanding immediately after the issuance of the proposed Series of Construction Bonds.

(e) The proceeds, including accrued interest, of the Construction Bonds of each Series shall be deposited simultaneously with the delivery of such Bonds into the Construction Fund and, to the extent permitted by law and the provisions of the Resolution, in any other Funds or Accounts or such other funds or accounts as may be established by the Supplemental Resolution authorizing the issuance of such Series of Construction Bonds in such amounts as may be provided in such Supplemental Resolution; and

(f) There may also be deposited from any legally available source, to the extent permitted by law and the provisions of the Resolution, in the Funds and Accounts or such other funds or accounts as may be established by the Supplemental Resolution, such amounts, if any, as may be provided in the Supplemental Resolution authorizing the issuance of such Series of Construction Bonds.

Section 2.04. Special Provisions for the Issuance of Refunding Bonds. (a) One or more Series of Refunding Bonds may be issued in such Principal amount which, when taken together with other legally available funds, will provide the Issuer with funds which will be sufficient to accomplish the refunding of all or a part of the Outstanding Bonds of one or more Series, all or part of any Contract, or all or part of any other borrowing of the Issuer, including in each case the payment of all expenses and the establishment of any reserves in connection with such refunding. The term "*Refunded Debt*" shall refer to such Bonds, Contract or other borrowing to be so refunded.

(b) Each Supplemental Resolution authorizing the issuance of a Series of Refunding Bonds shall specify the Refunded Debt to be refunded.

(c) Each Series of Refunding Bonds shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the documents required by Section 2.02) of the following documents or moneys or securities (or if such documents or moneys or securities are to be delivered to the trustee or debtor for the other borrowings, to such trustee or debtor, with a copy or other evidence of such delivery to the Trustee), all of such documents dated as of the date of such delivery (unless the Trustee or other trustee or debtor, as appropriate, shall accept any of such documents bearing a prior date):

(1) Either:

(A) a Written Certificate of the Issuer setting forth for each Fiscal Year to and including the Fiscal Year next preceding the date of the latest maturity of the Refunded Debt to be refunded or such Series of Refunding Bonds, whichever is later, the Aggregate Debt Service for:

(i) the Refunded Debt to be refunded and

(ii) such Series of Refunding Bonds,

and stating that the Aggregate Debt Service on the Refunding Bonds for each such Fiscal Year set forth pursuant to clause (ii) of this paragraph is no greater than one hundred and ten percent (110%) of the Aggregate Debt Service on the Refunded Debt for each such Fiscal Year set forth pursuant to clause (i) of this paragraph, and containing such additional statements as may be reasonably necessary to show compliance with the requirements of the Resolution; or

(B) the following documents:

(i) an Engineer's Certificate, given by an engineer described in clause (b) of the definition of "*Qualified Engineer*," setting forth the Estimated Net Revenues for the then current Fiscal Year and each succeeding Fiscal Year to and including the second Fiscal Year succeeding the issuance of such Series of Refunding Bonds; and

(ii) a Written Certificate of the Issuer showing the Aggregate Debt Service for each of the Fiscal Years set forth in the Engineer's Certificate delivered pursuant to clause (i) 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 the Rate Covenant Requirement for each of such Fiscal Years with respect to all Series of Bonds and all Contracts that the Issuer anticipates will be Outstanding and all Repayment Obligations that the Issuer anticipates will be outstanding, in each case immediately after the issuance of the proposed Series of Refunding Bonds.

Notwithstanding any other provision of the Resolution, the provisions of this Section 2.04(c)(1) shall not apply to the first three Series of Refunding Bonds issued under the Resolution.

(2) Irrevocable instructions to the Trustee (or such trustee or lender or its designee, as appropriate), satisfactory to it, to give due notice of redemption of all the Refunded Debt to be refunded on the redemption date or dates specified in such instructions;

(3) If the Refunded Debt to be refunded is not by its terms subject to redemption within the next succeeding ninety (90) days, irrevocable instructions to the Trustee (or such trustee or lender or its designee, as appropriate), satisfactory to it, to mail the notice provided for in Section 11.01(b) (or any similar provision for other borrowings, as appropriate) to the holders of the Refunded Debt being refunded;

(4) Either (A) moneys in an amount sufficient to effect payment at the applicable redemption price of the Refunded Debt to be refunded, together with accrued interest to the redemption date, which moneys shall be held by the Trustee or any one or more of the Paying Agents (or such trustee or lender or its designee, as appropriate) in a separate account irrevocably in trust for and assigned to the respective holders of the Refunded Debt to be refunded, or (B) Investment Securities (or similar investments as provided for in the Contract or documents relating to other borrowings, as appropriate) in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications and any moneys, as shall be necessary to comply with the provisions of Section 11.01(b) (or any similar provision for other borrowings, as appropriate), which Investment Securities and moneys shall be held in trust and used only as provided in such Section.

(5) If the Refunding Bonds to be issued are Cross-over Refunding Bonds:

(A) The Supplemental Resolution providing for the issuance of the Refunding Bonds shall provide that until the Cross-over Date neither Principal of nor interest on the Cross-over Refunding Bonds shall be payable from or secured by a pledge of the Revenues, but shall be payable solely from the escrow provided for in Section 11-27-3, Utah Code Annotated 1953, as amended.

(B) There shall be filed with the Trustee a Written Certificate of an Independent Public Accountant demonstrating the sufficiency of the moneys and investments in the escrow provided for in Section 11-27-3, Utah Code Annotated 1953, as amended, to pay the Principal of and interest on the Cross-over Refunding Bonds to the Cross-over Date and the Principal or Redemption Price of the Cross-over Refunded Bonds on the Cross-over Date.

(C) The instructions required by Section 2.04(c)(2) and (3) may contain such conditions to the giving of such notices as the Issuer may specify in the Supplemental Resolution authorizing the issuance of such Cross-over Refunding Bonds, including, without limitation, the absence of any default in the payment of the Cross-over Refunded Bonds.

(D) If an Engineer's Certificate is delivered pursuant to Section 2.04(c)(1)(B), such Engineer's Certificate shall set forth the Estimated Net Revenues for the Fiscal Year during which the Cross-over Date occurs and each succeeding Fiscal Year to and including the second Fiscal Year succeeding such Cross-over Date, instead of the Fiscal years specified in Section 2.04(c)(1)(B).

(d) A Series of Refunding Bonds may be combined with a Series of Construction Bonds.

Section 2.05. Conditions for Issuance of Bond Anticipation Notes. (a) One or more Series of Bond Anticipation Notes, payable on a parity with all Outstanding Bonds (except as provided in Section 2.05(b)(2) below), may be authenticated and delivered upon original issuance from time to time in such Principal amount for each such Series as may be determined by the Issuer for the purpose of paying or providing for the payment of all or a portion of the Cost of Construction of a Project, or the refunding of Bond Anticipation Notes, or a combination of such purposes. Each such Series shall be in such Principal amount which, when taken together with funds previously used or to be provided by the Issuer for such Project, will provide the Issuer with sufficient funds to pay the estimated Cost of Construction of such Project, as set forth in the Written Certificate of the Issuer furnished pursuant to Section 2.05(c)(1). The Issuer hereby covenants to apply so much of the proceeds of the Bonds in anticipation of which such Bond Anticipation Notes have been issued as shall be necessary to provide for the payment of all Principal Installments on such Bond Anticipation Notes.

(b) (1) Each Supplemental Resolution authorizing the issuance of a Series of Bond Anticipation Notes (i) shall specify the Project for which the proceeds of such Series of Bond Anticipation Notes will be applied, and (ii) may require the Issuer to deposit a specified amount of money from the proceeds of the sale of such Series of Bond Anticipation Notes into a Project Account in the Construction Fund to pay when due all or a portion of the interest on such Series of Bond Anticipation Notes accrued and to accrue to the Estimated Completion Date set forth in the Written Certificate of the Issuer delivered with respect to such Series of Bond Anticipation Notes pursuant to Section 2.05(c)(1), plus interest to accrue on such Series of Bond Anticipation Notes after the Estimated Completion Date for up to one Year (or such different period as may then be permitted by law). Such Supplemental Resolution may also contain such limitations and restrictions on, and covenants and agreements of, the Issuer and such rights and remedies for the holders of such Series of Bond Anticipation Notes, as deemed necessary and desirable by the Issuer; *provided, however*, that such limitations, restrictions, covenants, agreements, rights and remedies shall not be contrary to or inconsistent with the limitations, restrictions, covenants, agreements, rights and remedies contained in this Resolution for the payment and security of any Bonds then Outstanding.

(2) If so provided in the Supplemental Resolution providing for the issuance of any Series of Bond Anticipation Notes, the payment of the Principal Installments on such Bond Anticipation Notes shall be subject to the prior lien and charge created herein for the payment of the Bonds and Contracts out of the Bond Fund. In such case, such Supplemental Resolution shall provide that each of such Subordinated Bond Anticipation Notes shall state on its face that the payment of Principal Installments thereof is so subordinated.

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

(c) Each Series of Bond Anticipation Notes shall be authorized and delivered by the Trustee only upon receipt by the Trustee (in addition to the documents required by Section 2.02 and Section 2.05(d) below) of the following documents, all dated as of the date of such delivery (unless the Trustee shall accept any of such documents bearing a prior date):

(1) a Written Certificate of the Issuer setting forth the then Estimated Completion Date and the then estimated Cost of Construction of the Project being financed by such Series of Bond Anticipation Notes; and

(2) a Written Certificate of the Issuer to the effect that, upon the authentication and delivery of the Bond Anticipation Notes of such Series, no event will have occurred which, with the passage of time or the giving of notice, or both, would give rise to an Event of Default under the Resolution; *provided, however*, that in the case of refunding Subordinated Bond Anticipation Notes, the Issuer need not so certify with respect to the subordinated Principal Installments thereof.

(d) As of the date of issuance of any Series of Bond Anticipation Notes, the aggregate Principal amount of all Outstanding Bond Anticipation Notes (including such Series) shall never exceed the Principal amount of a hypothetical Series of Bonds which could be issued by the Issuer on such date in compliance with Section 2.03(d), having an assumed final maturity of twenty (20) years, bearing an assumed rate of interest equal to the highest rate then borne by any outstanding Bond Anticipation Notes and having Debt Service due in each Fiscal Year in approximately equal amounts; provided that if no Series of Bond Anticipation Notes are then Outstanding under the Resolution, the interest rate used for purposes of the calculation set forth in this Section 2.05(d) shall be the interest rate borne by the Series of Bond Anticipation Notes to be issued. Each Series of Bond Anticipation Notes shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the documents required by Section 2.02 and Section 2.05(c) above) of a Written Certificate of the Issuer, together with a supporting Engineer's Certificate, given by an engineer described in clause (b) of the definition of "Qualified Engineer," all dated as of the date of such delivery (unless the Trustee shall accept any of such documents bearing a prior date), stating that the person signing each such certificate has reviewed and is familiar with the provisions of this Section 2.05(d) and that, in the opinion of such signer, the Bond Anticipation Notes then proposed to be issued by the Issuer can be duly and validly issued by the Issuer pursuant to the provisions hereof, assuming for purposes of compliance with Section 2.03(d) as required by the preceding sentence, that the Debt Service on the proposed Series of Bond Anticipation Notes is calculated on the basis of the hypothetical Series of Bonds as set forth in this Section 2.05(d).

Section 2.06. Provisions Relating to Contracts. (a) One or more Contracts may be entered into by the Issuer pursuant to the provisions of the Act to pay for construction, operation and maintenance of works constituting a Project, and expenses preliminary and incidental thereto.

(b) Prior to the execution of a Contract, the Issuer shall comply with the provisions of Section 2.02(a), to the extent applicable to a Contract, and Section 2.02(b), and Section 2.03(b), (c) and (d) as if a Series of Bonds were being issued for the purpose of acquiring a Project within the meaning of the Resolution. Consistent with provisions of Section 2.02(a)(11), the Issuer shall not be required to establish any Series Subaccount in the Debt Service Reserve Account in the Bond Fund with respect to any Contract hereafter executed by the Issuer or to deposit any moneys therein, unless so required by the provisions of the Supplemental Resolution authorizing the execution of such Contract. The Contract shall provide for all terms and conditions of payment of installments of Principal and interest due under the Contract, which terms and conditions shall not be inconsistent with the provisions of the Resolution.

Section 2.07. Provisions Regarding Bonds Secured by a Security Instrument. (a) The Issuer may include such provisions in a Supplemental Resolution authorizing the issuance of a Series of Bonds secured by a Security Instrument as the Issuer deems appropriate, including:

(1) So long as the Security Instrument is in full force and effect, and payment on the Security Instrument is not in default, (A) the Security Instrument Issuer shall be deemed to be the Holder of the Outstanding Bonds of such Series when the approval, consent or action of the Bondholders for such Series of Bonds is required or may be exercised under the Resolution and following an Event of Default, and (B) the Resolution may not be amended in any manner which affects the rights of such Security Instrument Issuer without its prior written consent.

(2) In the event that the Principal and Redemption Price, if applicable, and interest due on any Series of Bonds Outstanding shall be paid under the provisions of a Security Instrument, all covenants, agreements and other obligations of the Issuer to the Bondholders of such Series of Bonds shall continue to exist and such Security Instrument Issuer shall be subrogated to the rights of such Bondholders in accordance with the terms of such Security Instrument.

(b) In addition, such Supplemental Resolution may establish such provisions as are necessary to provide relevant information to the Security Instrument Issuer and to provide a mechanism for paying Principal Installments and interest on such Series of Bonds from the Security Instrument.

ARTICLE III

TERMS AND PROVISIONS OF BONDS

Section 3.01. Terms of Bonds. (a) The Principal and Redemption Price of the Bonds shall be payable in lawful money of the United States of America at the principal corporate trust office of the Trustee or at the principal office of any Paying Agent or otherwise as provided in a Supplemental Resolution with respect to a Series of Bonds. Unless otherwise provided in a Supplemental Resolution with respect to a Series of Bonds, payment of interest on any Bond shall be made to the registered owner thereof as of the close of business on the Record Date and shall be paid by check mailed to the registered owner thereof at the address of such registered owner as it appears on the registration books of the Issuer maintained by the Trustee or at such other address as is furnished to the Trustee in writing by such registered owner prior to the Record Date.

(b) Unless otherwise provided in a Supplemental Resolution authorizing a Series of Bonds, the Bonds of any Series shall be issued in fully-registered form without coupons. Each Series of Bonds shall be in such denominations as may be authorized by the Supplemental Resolution authorizing the issuance of the Bonds of such Series. A Supplemental Resolution may provide for the delivery of a Series of Bonds, issued in the form of a single fully-registered Bond, in installments to be noted by the Trustee in a delivery schedule attached to such Bond. Anything in this Resolution to the contrary notwithstanding, a Supplemental Resolution may provide that Bonds issued in such single fully-registered form may be submitted to the Trustee for notation of payment of installments and for notation of transfer, without requiring cancellation of such single fully-registered Bond. Such Supplemental Resolution may provide for transfer of such Bonds to a new Holder by delivery after such notation, and without cancellation.

(c) The Bonds of each Series shall be dated as of the issue date specified in the Supplemental Resolution pursuant to which such Series of Bonds is issued. Unless otherwise provided in a Supplemental Resolution authorizing a Series of Bonds, each fully-registered Bond of any Series shall bear interest from the interest payment date next preceding the date of registration and authentication thereof unless it is registered as of an interest payment date, in which event it shall bear interest from the date thereof, or unless it is registered prior to the first interest payment date, in which event it shall bear interest from its date, or unless, as shown by the records of the Trustee, interest on the Bonds of such Series shall be in default, in which event it shall bear interest from the date to which interest has been paid in full.

(d) The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of the Resolution as may be necessary or desirable to comply with the Act, custom, the rules of any securities exchange or commission or brokerage board, or otherwise, as may be determined by the Issuer prior to the authentication and delivery thereof.

(e) From and after the issuance of the Bonds of any Series, the findings and determinations of the Governing Body respecting that Series shall be conclusive evidence of the existence of the facts so found and determined in any action or proceeding in any court in which the validity of such Bonds is at issue, and no bona fide purchaser of any such Bonds shall be required to see to the existence of any fact or to the performance of any condition or to the taking of any proceeding required prior to such issuance, or to the application of the purchase price paid for such Bonds. The validity of the issuance of any Series of the Bonds shall not be dependent on or affected in any way by (1) any proceedings taken by the Issuer for the planning, acquisition, construction, reconstruction, modification or improvement of a Project, or (2) any contracts made by the Issuer in connection therewith, or (3) the failure to complete the planning, acquisition, construction, reconstruction, modification or improvement of a Project. The recital contained in the Bonds that the same are issued pursuant to the Act shall be conclusive evidence of their validity and of the regularity of their issuance and all the Bonds shall be incontestable from and after their issuance. Bonds shall be deemed to be issued, within the meaning of the Resolution, whenever the definitive Bonds, or any temporary Bonds exchangeable therefor, have been delivered to the purchasers thereof, and the purchase price thereof received, or in the case of Bonds to be refunded through exchange, whenever such exchange has been made.

Section 3.02. Execution of Bonds. (a) The Bonds shall be signed on behalf of the Issuer by the manual or facsimile signature of the Chairman and attested by the manual or facsimile signature of the Secretary, and its seal shall be thereunto affixed by the Secretary, which may be by a facsimile of the Issuer's seal which is imprinted upon the Bonds. The Bonds shall then be delivered to the Trustee for manual authentication by it or by any Transfer Agent. In case any officer who shall have signed or attested any of the Bonds shall cease to be such officer before the Bonds so signed or attested shall have been authenticated or delivered by the Trustee or by any Transfer Agent or issued by the Issuer, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issuance, shall be as binding upon the Issuer as though such person who signed or attested the same had continued to be such officer of the Issuer. Also, any Bond may be signed or attested on behalf of the Issuer by any person who on the actual date of the execution of such Bond shall be the proper officer of the Issuer, although on the nominal date of such Bond any such person shall not have been such officer of the Issuer.

(b) Only such of the Bonds as shall bear thereon a certificate of authentication, executed by the Trustee or by any Transfer Agent, shall be valid or obligatory for any purpose or entitled to the benefits of the Resolution, and such certificate of the Trustee or of any Transfer Agent shall be conclusive evidence that the Bonds so authenticated have been duly authenticated and delivered under, and are entitled to the benefits of, the Resolution and that the Holder thereof is entitled to the benefits of the Resolution.

Section 3.03. Transfer of Fully-Registered Bonds. Unless otherwise provided in a Supplemental Resolution authorizing a Series of Bonds:

(a) Any fully-registered Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 3.05, by the person in whose name it is registered, in person or by his duly authorized attorney,

upon surrender of such Bond for cancellation or, if applicable, notation of the new Holder together with the signature of the Trustee or any applicable Transfer Agent on the back of such Bond or on a form of record attached to such Bond for such purpose, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed.

(b) Whenever any fully-registered Bond shall be surrendered for transfer, the Trustee or any Transfer Agent shall authenticate and deliver a new fully-registered Bond or Bonds duly executed by the Issuer, for like aggregate principal amount or, if applicable, shall deliver the same Bond, duly annotated with the new Holder and signed by the Trustee or any applicable Transfer Agent on the back of such Bond or on a form of record attached to such Bond for such purpose. The Trustee or any Transfer Agent shall require the payment by the Bondholder requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

(c) The Issuer, the Trustee and any Transfer Agent shall not be required (1) to issue, register the transfer of or exchange any Bond during a period beginning at the opening of business 15 days before the mailing of a notice of redemption of Bonds selected for redemption under Article IV and ending at the close of business on the day of such mailing, or (2) to register the transfer of or exchange any Bond so selected for redemption in whole or in part, except the unredeemed portion of Bonds being redeemed in part.

Section 3.04. Exchange of Bonds. Fully-registered Bonds may be exchanged at the principal corporate trust office of the Trustee or of any Transfer Agent for a like aggregate Principal amount of fully-registered Bonds of the same Series and maturity of other authorized denominations. The Trustee or any Transfer Agent shall require the payment by the Bondholder requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. Except as otherwise provided in a Supplemental Resolution authorizing a Series of Bonds, no such exchange shall be required to be made between each Record Date and the succeeding interest payment date.

Section 3.05. Bond Registration Books. The Trustee will keep or cause to be kept, at its principal corporate trust office, sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection by the Issuer; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as hereinbefore provided.

Section 3.06. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Issuer, at the expense of the Holder of such Bond, shall execute, and the Trustee or any Transfer Agent, shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee or any Transfer Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee or any Transfer Agent shall be cancelled by it and delivered to, or upon the order of, the Issuer. If any Bond issued hereunder shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Issuer and the Trustee and, if such evidence be

satisfactory to both and indemnity as required by the Act or Utah law and satisfactory to the Trustee shall be given, the Issuer, at the expense of the owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall be about to mature, instead of issuing a substitute Bond the Trustee may pay the same without surrender thereof). Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an additional contractual obligation of the Issuer, and shall be equally and proportionately entitled to the benefits of the Resolution with all other Bonds of the same Series secured by the Resolution. Neither the Issuer nor the Trustee shall be required to treat both the original Bond and any duplicate Bond as being Outstanding for the purpose of determining the Principal amount of Bonds which may be issued hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and duplicate Bond shall be treated as one and the same.

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01. Privilege of Redemption of Bonds. Any Series of Bonds subject to redemption prior to maturity pursuant to a Supplemental Resolution shall be redeemable, upon notice being given, at such times, at such Redemption Prices and upon such terms as provided in this Article and (in addition to and consistent with the terms contained in this Article) as may be specified in the Supplemental Resolution authorizing the issuance of the Bonds of such Series.

Section 4.02. Selection of Bonds for Redemption. Except as otherwise provided in a Supplemental Resolution:

(a) If less than all of the Bonds of any Series are called for redemption and if the Bonds of such Series shall mature on more than one date, the Bonds of such Series shall be redeemed from the Outstanding Bonds of such Series from such maturities as shall be determined by the Issuer in its discretion.

(b) If less than all of the Bonds of any Series maturing on any single date are called for redemption, the Trustee shall select the Bonds to be redeemed, from the Outstanding Bonds of such Series 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; *provided, however*, that subject to other applicable provisions of the Resolution or of any Supplemental Resolution, the portion of any Bond to be redeemed shall be in a Principal amount equal to a denomination in which Bonds of such Series are authorized to be issued. In selecting Bonds for redemption, the Trustee shall treat each Bond as representing that number of Bonds which is obtained by dividing the Principal amount of each Bond by the minimum denomination in which Bonds of such Series are authorized to be issued. If part but not all of a Bond shall be selected for redemption, the Holder thereof or his attorney or legal representative shall present and surrender such Bond to the Trustee for payment of the Redemption Price on the portion thereof so called for

redemption. The Issuer shall execute and the Trustee or any Transfer Agent shall authenticate and deliver to or upon the order of such Holder or his legal representative, without charge therefor, a Bond or Bonds of the same maturity and bearing interest at the same rate as the Bond so surrendered for the unredeemed portion of the surrendered Bond. The Trustee shall promptly notify the Issuer in writing of the Bonds or portions thereof selected for redemption.

Section 4.03. Notice of Redemption. Except as otherwise provided in a Supplemental Resolution:

(a) Notice of redemption shall be given by first-class mail, postage prepaid, not less than thirty (30) nor more than forty-five (45) days before such redemption date, to the registered owner of such Bond, at his address as it appears on the bond registration books of the Trustee or at such address as he may have filed with the Trustee for that purpose, and shall be sent by registered mail to the member whose name appears first in the underwriting syndicate purchasing the Series of Bonds from which any Bond is to be redeemed and to any Security Instrument Issuer or Reserve Instrument Issuer with respect to such Series of Bonds, but neither failure to mail such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of any of the Bonds. Each notice of redemption shall state the redemption date, the place of redemption, the source of the funds to be used for such redemption, the Principal amount and, if less than all of the Bonds of any like Series and maturity are to be redeemed, the distinctive numbers of the Bonds to be redeemed, and shall also state that the interest on the Bonds in such notice designated for redemption shall cease to accrue from and after such redemption date and that on said date there will become due and payable on each of said Bonds the Redemption Price thereof and interest accrued thereon to the redemption date.

(b) Notice of redemption shall be given by the Trustee for and on behalf and at the expense of the Issuer, at the Written Request of the Issuer (which request shall be given to the Trustee at least forty-five (45) days prior to the date fixed for redemption). With respect to any notice of optional redemption of Bonds, unless upon the giving of such notice such Bonds shall be deemed to have been paid within the meaning of Article XI hereof, such notice may state that such redemption shall be conditioned upon the receipt by the Trustee on or prior to the date fixed for such redemption of money sufficient to pay the Redemption Price of and interest on the Bonds to be redeemed, and that if such money shall not have been so received said notice shall be of no force and effect, and the Issuer shall not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such money is not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such money was not so received and that such redemption was not made. Unless the notice of redemption contains such a condition, the Issuer shall deposit with, or otherwise make available to, the Trustee the money required for payment of the Redemption Price of and the accrued interest to the redemption date on all Bonds then to be called for redemption at least two days before the date fixed for such redemption.

Section 4.04. Effect of Redemption; Disposition of Redeemed Bonds; Partial Redemption. Except as otherwise provided in a Supplemental Resolution authorizing a Series of Bonds:

(a) If notice of redemption has been duly given as aforesaid, and moneys for payment of the Redemption Price, together with interest to the redemption date on the Bonds so called for redemption, are held by the Trustee, then such Bonds shall, on the redemption date designated in such notice, become due and payable at the Redemption Price specified in such notice and interest accrued thereon to the redemption date; and from and after the date so designated interest on the Bonds so called for redemption shall cease to accrue.

(b) All Bonds redeemed in whole or in part pursuant to the provisions of this Article shall be cancelled by the Trustee or any Transfer Agent and shall thereafter be delivered to, or upon the order of, the Issuer.

(c) Upon surrender of any registered Bond redeemed in part only, the Issuer shall duly execute and the Trustee or any Transfer Agent shall authenticate and deliver to the registered owner thereof, at the expense of the Issuer, a new Bond or Bonds of the same Series and maturity and of authorized denominations equal in aggregate Principal amount to the unredeemed portion of the Bond surrendered.

ARTICLE V

PLEDGE OF REVENUES; ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF

Section 5.01. The Pledge Effected by the Resolution. (a) The Bonds, the Repayment Obligations and the Contracts are special obligations of the Issuer payable from and secured by the Revenues and funds pledged therefor. Subject to all rights existing in the holders of the Prior Lien Bonds pending their payment or adequate provisions made therefor and the provisions of the Prior Lien Resolution so long as any Prior Lien Bonds are Outstanding and subject to any rights existing in the United States of America to receive payments under the Salt Lake Aqueduct Contract, there are hereby pledged for the payment of Principal, Redemption Price of and interest on the Bonds, of Repayment Obligations and the principal of and interest on the Contracts in accordance with their terms and the provisions of the Resolution, subject only to the provisions of the Prior Lien Resolution for so long as any Prior Lien Bonds are Outstanding, 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 Operation and Maintenance Fund and the Rebate Fund), including the investments, if any, thereof, subject to any required rebate of all or a portion of the earnings on such investments to the United States of America pursuant to the requirements of Section 148(f) of the Code.

(b) The Issuer shall not hereafter issue any additional bonds or notes or other obligations pursuant to the provisions of the Prior Lien Resolution and the lien of the Prior Lien Resolution is hereby closed for all purposes.

Section 5.02. Establishment of Funds. The following Funds are hereby established and confirmed:

- (1) Construction Fund, to be held by the Trustee,
- (2) Revenue Fund, to be held by the Issuer,
- (3) Operation and Maintenance Fund, to be held by the Issuer,
- (4) Bond Fund, to be held by the Trustee, consisting of (A) a Debt Service Account in which the Trustee shall establish a separate Series Subaccount for each Series of Bonds and any related Security Instrument Repayment Obligations, and for each Contract and (B) a Debt Service Reserve Account in which the Trustee shall establish a separate Series Subaccount for each Series of Bonds for which a Debt Service Reserve Requirement has been established and a separate Series Subaccount for each Contract for which a Debt Service Reserve Requirement has been established, and
- (5) Renewal and Replacement Reserve Fund, to be held by the Issuer.

The Issuer may, by Supplemental Resolution, establish one or more additional Funds or accounts.

Section 5.03. Construction Fund. (a) 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.

(b) The Trustee shall establish within the Construction Fund a separate Project Account for each Project and may establish one or more subaccounts in each Project Account.

(c) 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.

(d) 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 pursuant to Section 2.03(b)(2) to provide for the payment of capitalized interest, the Trustee shall, without further direction, during the period for which interest was capitalized, transfer from the Project Account and deposit into the appropriate Series Subaccount in the Debt Service Account, the amounts required to pay interest on the Bonds when due, subject to any limitations contained in the Supplemental Resolution authorizing such Bonds.

(e) Before any payment is made from any Project Account by the Trustee (except for transfers into Series Subaccounts in the Debt Service Account to pay interest on the Bonds as contemplated in (d) above), the Issuer shall file with the Trustee a Written Request of the Issuer, showing with respect to each payment to be made, the name of the person to whom payment is due and the amount to be paid, and stating that the obligation to be paid was incurred and is a proper charge against the Project Account. Each such Written Request shall be sufficient evidence to the Trustee: (A) that obligations in the stated amounts have been incurred by the Issuer and that each item thereof is a proper charge against the applicable Project Account; and (B) that there has not been filed with or served upon the Issuer notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable to any of the persons named in such Written Request which has not been released or will not be released simultaneously with the payment of such obligation other than materialmen's or mechanics' liens accruing by mere operation of law.

(f) Upon receipt of each such Written Request, the Trustee shall pay the amounts set forth therein as directed by the terms thereof.

(g) The Issuer shall maintain on file with the Trustee a schedule of dates on which the Issuer estimates that money in each Project Account in the Construction Fund will be expended and the amounts estimated to be required on those dates. The Issuer may revise such schedule at any time to reflect changes in the estimated dates and amounts. Amounts in the Construction Fund shall be invested and reinvested by the Trustee in accordance with instructions received from an Authorized Officer of the Issuer to the fullest extent practicable in Investment Securities (or, to the extent permitted by a Supplemental Resolution adopted pursuant to Section 10.02(a)(3), in other investments) maturing in such amounts and at such times as may be necessary to make funds available when needed. The Trustee may, and to the extent required for payments from the Construction Fund shall, sell any such Investment Securities at any time, and the proceeds of such sale, and of all payments at maturity and upon redemption of such investments, shall be held in the applicable Project Account in the Construction Fund.

(h) Subject to any required rebate of earnings on investments to the United States of America pursuant to Section 148(f) of the Code, all net income earned on any moneys or investments in the Project Account established in the Construction Fund for a Project shall be held in such Project Account for the purposes thereof unless otherwise provided in a Supplemental Resolution authorizing a Series of Bonds or a Contract.

(i) The Completion Date 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, stating (1) that such Project has been completed substantially in accordance with the plans and specifications applicable thereto, as from time to time amended, (2) the date of such Completion Date and (3) the amounts, if any, required in the opinion of the signer or signers for the payment of any remaining part of the Cost of Construction of such 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 as provided in Section 5.10, (ii) deposited into the Debt Service Reserve Account to fund any amounts required to be deposited therein, (iii) deposited into the Debt Service Account, (iv) transferred into another Project Account to pay Costs of Construction of a Project or (v) used for any other purpose for which proceeds of Bonds may be used under applicable law and covenants regarding the use of proceeds of Bonds.

Section 5.04. Revenues and Revenue Fund. All Revenues shall be deposited promptly by the Issuer to the credit of the Revenue Fund, except that the proceeds of any interest subsidy with respect to the Bonds or the Contracts received from the United States Government may be deposited directly into the Bond Fund for credit to the Debt Service Account.

Section 5.05. Operation and Maintenance Fund; Payment of Operation and Maintenance Costs. (a) The Issuer shall deposit into the Operation and Maintenance Fund on the date of delivery of the first Series of Bonds issued under the Resolution all moneys of the Issuer on hand on that date for the payment of Operation and Maintenance Costs.

(b) The Issuer shall file with the Trustee at the time of delivery of the first Series of Bonds under the Resolution the operation and maintenance budget for the then-current Fiscal Year. Thereafter, the operation and maintenance budget shall be determined by the Issuer annually prior to the beginning of each Fiscal Year, and revised from time to time during each Fiscal Year at such intervals as the Issuer shall deem necessary, and shall be promptly filed with the Trustee.

(c) The proceeds of any taxes levied and collected to pay Operation and Maintenance Costs pursuant to Section 6.19 shall be deposited into the Operation and Maintenance Fund promptly when collected by the Issuer.

(d) The Operation and Maintenance Costs shall be paid by the Issuer from time to time as they become due and payable from moneys in the Operation and Maintenance Fund.

(e) From and after the delivery of the first Series of Bonds under the Resolution, the Issuer shall from time to time transfer from the Revenue Fund or any other legally available moneys and deposit into the Operation and Maintenance Fund such amounts as shall be necessary to maintain on deposit in the Operation and Maintenance Fund not less than the amount required by subsection (f) of this Section.

(f) The Governing Body shall determine, at least annually, the amount of working capital reasonably required for the efficient operation and maintenance of the System, which amount shall be not less than an amount reasonably estimated to pay the Operation and Maintenance Costs of the System for three (3) calendar months. If, for any reason, the Governing Body shall fail to determine specifically such amount, such amount shall be one-half of the amount for the then-current Fiscal Year set forth in the operation and maintenance budget filed with the Trustee pursuant to subsection (b) of this Section.

Section 5.06. Flow of Funds. (a) After making any transfers to the Operation and Maintenance Fund required by Section 5.05(e), the Issuer shall (i) on the Business Day immediately preceding each maturity date of the Bonds, interest payment date of the Bonds or principal or interest installment on a Contract, as the case may be, so long as any of the Bonds or Contracts remain Outstanding, and (ii) on or before the last Business Day of each month during which a date described in the preceding clause (i) has not occurred, withdraw from the Revenue Fund to the extent available and deposit in the following order and in the following amounts, moneys or Investment Securities which mature or are redeemable at the option of the Holder prior to the date when it is anticipated that the proceeds from such Investment Securities are to be disbursed:

(1) for credit to the Debt Service Account, 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 or Contract and, to the extent required by the Supplemental Resolution creating such Series Subaccount, on any Security Instrument Repayment Obligations for which such Series Subaccount was established; *provided*, that if there are not sufficient moneys to satisfy the requirements of this subsection (1) with respect to all Series Subaccounts in the Debt Service Account, all moneys available for distribution among such Series Subaccounts shall be deposited into the Debt Service Account and distributed on a pro rata basis to the deficient Series Subaccounts in the Debt Service 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; and *provided further*, that in the event and to the extent moneys have been deposited in any Project Account pursuant to Section 2.03(b)(2), such moneys shall be transferred from the appropriate Project Account and deposited into the appropriate Series Subaccount in the Debt Service Account in an amount sufficient to cause the balance in such Series Subaccount to equal the interest component of such Accrued Debt Service;

(2) for credit to each Series Subaccount established within the Debt Service Reserve Account, 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; and

(3) for credit to the Renewal and Replacement Fund, the amount, if any, required to be deposited therein by a Supplemental Resolution.

provided, however, that so long as there shall be held in the Bond Fund, excluding any Reserve Instrument Coverage, an amount sufficient to pay in full all Outstanding Bonds and Contracts and all outstanding 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 Bond Fund.

(b) Amounts remaining in the Revenue Fund at the end of each month after payment of the amounts required by paragraphs (1) and (2) of subsection (a) of this Section to be deposited into the Bond Fund may be applied by the Issuer, free and clear of the lien of the Resolution, to any one or more of the following, to the extent permitted by law: (1) the purchase or redemption of any Bonds and payment of expenses in connection with the purchase or redemption of any Bonds; (2) payments of Principal or redemption price of and interest on any bonds, including general obligation or junior lien revenue bonds, of the Issuer or Principal Installments on Subordinated Bond Anticipation Notes, issued to acquire improvements or extensions to the System; (3) payments into any Project Account or Accounts established in the Construction Fund for application to the purposes of such Accounts; (4) payment of the costs of capital improvements to the System; and (5) any other lawful purpose of the Issuer.

(c) Upon any purchase or redemption, pursuant to subsection (b) of this Section, of Bonds of any Series and maturity for which Sinking Fund Installments shall have been established, the Principal amount of such Bonds shall be credited toward such Sinking Fund Installments in inverse chronological order of their due dates, unless the Issuer shall elect to have the Sinking Fund Installments credited as provided in Section 5.10.

Section 5.07. Bond Fund - Debt Service Account. (a) Each Supplemental Resolution providing for the issuance of a Series of Bonds or the execution of a Contract by the Issuer shall establish a separate Series Subaccount in the Debt Service Account for each such Series of Bonds issued or each such Contract executed, which Series Subaccount may be subdivided as provided in such Supplemental Resolution. Subject to the provisions of the Supplemental Resolution authorizing the issuance of any Series of Bonds, any payments made by a Security Instrument Issuer with respect to a Series of Bonds shall be deposited into the Series Subaccount relating to such Series of Bonds.

(b) The Trustee shall pay out of the appropriate Series Subaccount in the Debt 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, 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 or Contracts 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 or Contracts.

(c) Whenever there is a Security Instrument Repayment Obligation due and payable to any Security Instrument Issuer pursuant to the terms and provisions of a related Security Instrument Agreement, the Trustee shall pay out of the appropriate Series Subaccount in the Debt Service Account to such Security Instrument Issuer an amount equal to such Security Instrument Repayment Obligation. If payment is so made to a Security Instrument Issuer, a corresponding payment on any Pledged Bonds held for the benefit of the Security Instrument Issuer shall not be made but shall be deemed to have been made (without requiring an additional payment by the Issuer) and the Trustee shall keep its records accordingly.

(d) Except as otherwise provided in a Supplemental Resolution authorizing a Series of Bonds, amounts accumulated in a Series Subaccount in the Debt Service Account with respect to any Sinking Fund Installment (together with amounts accumulated therein with respect to interest on the Bonds for which such Sinking Fund Installment was established) shall, if so directed by the Issuer in a Written Request not less than sixty (60) days before the due date of such Sinking Fund Installment, be applied by the Trustee to (1) the purchase of Bonds of the Series and maturity for which such Sinking Fund Installment was established, or (2) the redemption at the applicable sinking fund Redemption Price of such Bonds, if then redeemable by their terms, or (3) any combination of (1) and (2). All purchases of any Bonds pursuant to this subsection (d) shall be made at prices not exceeding the applicable sinking fund Redemption Price of such Bonds plus accrued interest, and such purchases shall be made in such manner as the Issuer shall direct the Trustee. The applicable sinking fund Redemption Price (or Principal amount of maturing Bonds) of any Bonds so purchased or redeemed shall be deemed to constitute part of a Series Subaccount in the Debt Service Account until such Sinking Fund Installment date, for the purpose of calculating the amount of such Series Subaccount. After the 60th day preceding the due date of any such Sinking Fund Installment, the Trustee shall proceed to call for redemption on such due date, by giving notice as required by the Resolution, Bonds of the Series and maturity for which such Sinking Fund Installment was established (except in the case of Bonds maturing on a Sinking Fund Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment. The Trustee shall pay out of the appropriate Series Subaccount in the Debt Service Account to the appropriate Paying Agents, on or before such redemption date (or maturity date), the amount required for the redemption of the Bonds so called for redemption (or for the payment of such Bonds then maturing), and such amount shall be applied by such Paying Agents to such redemption (or payment). All expenses in connection with the purchase or redemption of Bonds shall be paid by the Issuer as an Operation and Maintenance Cost.

Section 5.08. Bond Fund - Debt Service Reserve Account. (a) Each Supplemental Resolution providing for the issuance of a Series of Bonds shall establish in the Debt Service Reserve Account a separate Series Subaccount for such Series of Bonds if there is a Debt Service Reserve Requirement for such Series of Bonds. Such Supplemental Resolution shall specify (1) the Debt Service Reserve Requirement for such Series Subaccount, (2) the manner in which such Series Subaccount may be funded, and (3) the manner in which any deficiency in the Debt Service Reserve Fund may be replenished. Subject to any limitations contained in a Supplemental Resolution, the Issuer may satisfy any Debt Service Reserve Requirement for a Series of Bonds by means of a Reserve Instrument (or may substitute one Reserve Instrument for another); *provided, however*, that if such Series of Bonds is Outstanding and there is a rating in

effect for such Series of Bonds, the Issuer shall provide to the Trustee written evidence satisfactory to the Trustee from each Rating Agency then having a rating in effect for such Series of Bonds to the effect that the Rating Agency has reviewed the proposed Reserve Instrument and that the use of such Reserve Instrument (or the substitution of one Reserve Instrument for another, as appropriate) will not, by itself result in a reduction or withdrawal of such Rating Agency's rating of such Series of Bonds.

(b) If on the final Business Day of any month, after the deposit of moneys required by Section 5.06(a)(1), the amount in any Series Subaccount in the Debt 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 the extent necessary 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 Debt 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, 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 Debt Service Account.

(c) 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 for 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.

(d) 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 Subaccount in the Debt Service Account for a Series of Bonds, is sufficient to pay in full all Outstanding Bonds of such Series and related Repayment Obligations in accordance with their terms (including Principal or applicable sinking fund Redemption Price and interest thereon), the funds on deposit in such Series Subaccount in the Debt Service Reserve Account shall be transferred to the corresponding Series Subaccount in the Debt Service Account and no deposits shall be required to be made into such Series Subaccount in the Debt Service Reserve Account.

(e) Unless otherwise provided in a Supplemental Resolution authorizing a Series of Bonds or a Contract, in calculating the amount on deposit in a Series Subaccount in the Debt Service Reserve Account, the amount of the Reserve Instrument Coverage for the corresponding Series of Bonds will be treated as an amount on deposit in such Series Subaccount in the Debt Service Reserve Account.

(f) Unless otherwise specified in the Supplemental Resolution authorizing a Series of Bonds or a Contract, no Reserve Instrument for such Series of Bonds shall be allowed to expire unless and until cash has been deposited into the appropriate Series Subaccount in the Debt Service Reserve Account, or a new Reserve Instrument has been issued in place of the expiring Reserve Instrument, in an amount or to provide coverage at least equal to the Debt Service Reserve Requirement for the corresponding Series of Bonds.

Section 5.09. Renewal and Replacement Reserve Fund. (a) The amounts in the Renewal and Replacement Reserve Fund shall, from time to time, be applied by the Issuer to the payment of extraordinary Operation and Maintenance Costs and contingencies, including the prevention or correction of any unusual loss or damage to the System to the extent not covered by the proceeds of insurance or other moneys recoverable as a result thereof.

(b) If on the Business Day preceding each due date of any Principal Installment and each interest payment date of the Bonds or Contracts, the amount in any Series Subaccount in the Debt Service Account shall be less than the amount required to be in such Series Subaccount in the Debt Service Account pursuant to Section 5.06(a)(1), and the moneys transferred from the corresponding Series Subaccount in the Debt Service Reserve Account pursuant to Section 5.08(b)(1) and the moneys available under any Reserve Instrument pursuant to Section 5.08(b)(2) are not sufficient moneys to cure such deficiency, the Issuer shall on such Business Day transfer from the Renewal and Replacement Reserve Fund and deposit into such Series Subaccount in the Debt Service Account the amount necessary (or all the moneys in the Renewal and Replacement Reserve Fund, if less than the amount necessary) to make up such deficiency; *provided, however*, if the moneys in the Renewal and Replacement Reserve Fund are insufficient to make up deficiencies in two or more Series Subaccounts in the Debt Service Account, the Issuer shall deposit from the moneys so available in the Renewal and Replacement Reserve Fund into all such Series Subaccounts on a pro rata basis which reflects the proportion of the original Principal amount of each Series of Bonds and Contracts then Outstanding to the total original Principal amount of all such Series of Bonds and Contracts.

(c) At the end of each Fiscal Year, any balance of moneys or Investment Securities in the Renewal and Replacement Reserve Fund in excess of the Renewal and Replacement Reserve Fund Requirement and not required to meet any deficiency in any Series Subaccount in the Debt Service Account or needed for any of the purposes for which the Renewal and Replacement Reserve Fund was established, shall be transferred by the Issuer and deposited into the Revenue Fund.

(d) The Issuer may, from time to time, change the amount of the Renewal and Replacement Reserve Fund Requirement by the adoption of a Supplemental Resolution pursuant to Section 8.01(b)(15) hereof.

Section 5.10. Purchase of Bonds. The Issuer may purchase Bonds of any Series from any available funds at public or private sale, as and when and at such prices as the Issuer may in its discretion determine, but at a price (excluding accrued interest) not exceeding the Principal amount thereof, or in the case of Bonds which by their terms are subject to redemption prior to maturity, at the then current or first applicable Redemption Price (excluding accrued interest), as

the case may be. All Bonds so purchased shall at such times as shall be selected by the Issuer be delivered to and cancelled by the Trustee or any Transfer Agent and shall thereafter be delivered to, or upon the order of, the Issuer, and no Bonds shall be issued in place thereof. In the case of the purchase of Bonds of a Series and maturity for which Sinking Fund Installments shall have been established, the Issuer shall, by a Written Request of the Issuer delivered to the Trustee, elect the manner in which the Principal amount of such Bonds shall be credited toward Sinking Fund Installments.

ARTICLE VI

COVENANTS OF THE ISSUER

Section 6.01. Punctual Payment of Bonds. The Issuer will punctually pay or cause to be paid the Principal or Redemption Price and the interest to become due in respect of all the Bonds and the Contracts and any Repayment Obligations, in strict conformity with the terms of the Bonds, any Security Instrument Agreement, any Reserve Instrument Agreement and the Resolution, and the Issuer will punctually pay or cause to be paid all Sinking Fund Installments which may be established for any Series of Bonds.

Section 6.02. Construction of Projects. Once the Issuer has determined to construct a Project and issued Bonds or executed a Contract with respect to such Project, the Issuer will promptly commence, or cause to be commenced, the construction of such Project and will continue, or cause to be continued, the same to completion with all practicable dispatch, and such Project will be constructed in a sound and economic manner, except as otherwise provided in Section 6.15.

Section 6.03. Against Encumbrances. The Issuer will not create, and will use its best efforts to prevent the creation of, any mortgage or lien upon the System or any property essential to the proper operation of the System or to the maintenance of the Revenues. The Issuer will not create, or permit the creation of, any pledge, lien, charge or encumbrance upon the Revenues except only as provided in or permitted by the Resolution.

Section 6.04. Against Sale or Other Disposition of Property Except Under Conditions. The Issuer will not sell or otherwise dispose of any property essential to the proper operation of the System or the maintenance of the Revenues, *provided* that this covenant shall not be construed to prevent the disposal by the Issuer of property which in its judgment has become inexpedient to use in connection with the System; *provided further* that this covenant shall not apply to the sale or other disposition of (a) any property constituting part of the System that has a fair market value equal to or less than two percent of the fair market value of the System or (b) only property constituting part of the system that has a fair market value greater than two percent of the fair market value of the system if the Issuer shall first file with the Trustee an Engineer's Certificate, given by an engineer described in clause (b) of the definition of a "Qualified Engineer," demonstrating 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 the Rate Covenant Requirement. The Issuer 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, Contracting Parties, Security Instrument Issuers and Reserve Instrument Issuers with respect to the Revenues. The Trustee shall have no responsibility with respect to any such leases or agreements entered into by the Issuer.

Section 6.05. Operation and Maintenance. The Issuer will cause the System to be operated continuously in an efficient and economical manner, to the extent practicable under conditions as they may from time to time exist, and will at all times cause the System to be maintained, preserved and kept in good repair, working order and condition, and the Issuer will from time to time cause to be made all necessary and proper repairs and replacements so that the rights and security of the Holders of the Bonds, Contracting Parties, Security Instrument Issuers and Reserve Instrument Issuers may be fully protected and preserved.

Section 6.06. Qualified Engineer. The Issuer will from time to time engage a Qualified Engineer to assist it as appropriate and to advise the Issuer concerning matters affecting the general operation of the System and make recommendations regarding said operations and construction of improvements and extensions thereto.

Section 6.07. Maintenance of Revenues. (a) The Issuer will at all times:

- (1) faithfully and punctually perform all duties with reference to the System required by the constitution and laws of the State; and
- (2) comply with all terms, covenants and provisions, express or implied, of all contracts and agreements 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 Issuer with respect thereto.

The Issuer shall promptly collect all charges due for System use, service and output 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; *provided, however*, that this paragraph shall not be construed as requiring the Issuer to incur expenses for such collection or enforcement that, in the Issuer's reasonable judgment, will not likely result in the collection of moneys at least sufficient to pay such expenses.

(b) The Issuer will do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such Supplemental Resolutions and such further accounts, instruments and transfers as the Trustee may reasonably require for the better assuring, pledging and confirming to the Trustee all and singular the Revenues and the other amounts pledged hereby to the payment of the principal of, Redemption Price and interest on the Bonds and the Repayment Obligations. The Issuer will not sell, convey, mortgage, encumber or otherwise dispose of any part of the Revenues, except as otherwise permitted hereunder.

(c) The Issuer will not enter into any Water Purchase Contract pursuant to which the Issuer will agree to take or pay (or with respect to an existing Water Purchase Contract, to increase the Issuer's obligation to take or pay) for water furnished to the Issuer pursuant to such a Water Purchase Contract that would cause the Issuer to be unable to satisfy the Rate Covenant Requirement in any future Fiscal Year with respect to the Bonds and Contracts then Outstanding.

(d) The Issuer will not permit water service 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 Revenues.

Section 6.08. Observance of Laws and Regulations. The Issuer will well and truly keep, observe and perform all valid and lawful obligations or orders or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States of America or of the State of Utah, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege, license or franchise now owned or hereafter acquired by the Issuer, including its right to exist and carry on business, to the end that such rights, privileges, licenses and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired; *provided, however*, that the Issuer shall not be required to comply with any such orders so long as the validity or application thereof shall be contested in good faith.

Section 6.09. Payment of Taxes and Claims. The Issuer 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, when the same shall become due, and will duly observe and conform to all valid requirements of any governmental authority relative to any such properties. The Issuer 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 any Project and other improvements of the System) and free from all other liens, claims, demands and encumbrances of whatsoever prior nature or character, to the end that the priority of the lien of the Resolution on the Revenues may at all times be maintained and preserved, and free from any claim or liability which might embarrass or hamper the Issuer in conducting its business.

Section 6.10. Insurance. Subject in each case to the condition that insurance is obtainable at reasonable rates and upon reasonable terms and conditions:

(a) The Issuer will secure and maintain ordinary and necessary insurance on such of the physical properties of the System as are normally insured by public entities engaged in the operation of similar properties, except that the Issuer may in its discretion be a self-insurer of any risk;

(b) The Issuer will secure and maintain adequate fidelity insurance or bonds on all officers and employees handling or responsible for funds of the Issuer related to the System; and

(c) The Issuer will place on file with the Trustee annually within one hundred eighty (180) days after the close of each Fiscal Year, a Written Statement of the Issuer containing a summary of all insurance policies then in effect with respect to the System and the Issuer's officers and employees.

Section 6.11. Accounts and Reports. (a) The Issuer will at all times keep, or cause to be kept, proper books of record and accounts, separate and apart from all other records and accounts of the Issuer, in which complete and accurate entries shall be made of all transactions relating to the System and the Revenues. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Trustee, the Holders of not less than five percent (5%) of the Bonds then Outstanding, any Security Instrument Issuer, any Reserve Instrument Issuer, any Contracting Party, any party specified by a Supplemental Resolution, or their representatives authorized in writing.

(b) The Issuer will place on file with the Trustee and with any party specified by a Supplemental Resolution annually within one hundred eighty (180) days after the close of each Fiscal Year, a financial statement in reasonable detail for the preceding Fiscal Year showing the Revenues, all expenditures from the Revenues for Operation and Maintenance Costs and other expenditures from the Revenues applicable to the System and the resulting Net Revenues available for Debt Service, together with a balance sheet in reasonable detail reflecting the financial condition of the System, including the balances of all Funds relating to the System as of the end of each Fiscal Year, which financial statement and balance sheet shall be accompanied by an Accountant's Certificate. Each such audit, in addition to whatever matters may be thought proper by the Independent Public Accountant to be included therein, shall include the following:

(1) Comments regarding the manner in which the Issuer has carried out the requirements of this Resolution and recommendations for any change or improvements in the accounting operations of the System.

(2) A list of the insurance policies in force at the end of the Fiscal Year with respect to the System, its officers and employees setting out as to each policy the amount of the policy, the risks covered, the name of the insurer and the expiration date of the policy.

(3) A statement as to whether or not the Net Revenues for such Fiscal Year were at least equal to the Rate Covenant Requirement.

(4) An analysis of all Funds provided for herein, setting out as to each all deposits and disbursements made during the Fiscal Year and the amount in each Fund at the end of the Fiscal Year.

Simultaneously with the filing of such financial statement, there shall be filed with the Trustee and with any party specified by a Supplemental Resolution a report of bond resolution compliance review conducted by the firm of Independent Public Accountants which signed the Accountants' Certificate accompanying the financial statement.

(c) The reports, statements and other documents required to be furnished to the Trustee pursuant to any provisions of the Resolution shall be available for inspection of Bondholders, Contracting Parties, Security Instrument Issuers and Reserve Instrument Issuers at the principal corporate trust office of the Trustee and, upon the Written Request of the Issuer, shall be mailed to each Bondholder, Contracting Party, Security Instrument Issuer, Reserve Instrument Issuer, investment banker, security dealer or other person interested in the Bonds or Contract who shall file a written request therefor with the Issuer.

(d) The Issuer shall file with the Trustee and with any party specified by a Supplemental Resolution (1) immediately upon becoming aware of any Event of Default or other default in the performance by the Issuer of any covenant, agreement or condition contained in the Resolution, a Written Certificate of the Issuer specifying such default; and (2) not later than one hundred eighty (180) days following the end of each Fiscal Year a Written Certificate of the Issuer stating that, to the best of the knowledge and belief of the Authorized Officer of the Issuer executing such Written Certificate, except for any default then existing which shall have been specified in the Written Certificate of the Issuer referred to in (1) above, the Issuer has kept, observed, performed and fulfilled each and every one of its covenants and obligations contained in the Resolution and there does not exist at the date of such Written Certificate any default by the Issuer under the Resolution or any Event of Default or other event which, with the lapse of time specified in Section 9.01, would become an Event of Default, or, if any such default or Event of Default or other event shall so exist, specifying the same and the nature and status thereof.

Section 6.12. Rates and Charges. (a) In order to assure full and continuous performance of the covenants contained in Section 6.01 and Section 6.07 with a margin for contingencies and temporary unanticipated reduction in Revenues, the Issuer covenants and agrees to establish, fix, prescribe and collect rates, charges and fees for the sale or use of System services furnished by the Issuer which, together with other income, are reasonably expected to yield Net Revenues which, together with Other Available Funds, are at least equal to the Rate Covenant Requirement for the forthcoming Fiscal Year. The term "Rate Covenant Requirement" means an amount equal to at least the sum of (1) one hundred and fifteen percent (115%) of the Aggregate Debt Service (excluding amounts payable on Repayment Obligations) for the forthcoming Fiscal Year, (2) one hundred percent (100%) of the Repayment Obligations, if any, which will be due and payable during the forthcoming Fiscal Year, and (3) one hundred percent (100%) of the amounts, if any, required by the Resolution to be deposited by the Issuer into the Debt Service Reserve Account during the forthcoming Fiscal Year.

(b) If the annual financial statement made in accordance with the provisions of Section 6.11(b) relating to Revenues discloses that during the period covered by such financial statement the Net Revenues were not at least equal to the Rate Covenant Requirement, the Issuer shall not be in default under this Section if, within ninety (90) days after the date of such financial statement (1) the Issuer obtains recommendations from an engineer described in clause (b) of the definition of a “*Qualified Engineer*” as to the revision of the rates, charges and fees necessary to produce Net Revenues at least equal to the Rate Covenant Requirement, and (2) the Issuer, on the basis of such recommendations, revises the schedule of rates, charges and fees insofar as is practicable and revises Operation and Maintenance Costs so as to produce Net Revenues at least equal to the Rate Covenant Requirement.

Section 6.13. Maintenance of Paying Agents. The Trustee shall pay to the Paying Agents, to the extent of the moneys held by the Trustee for such payment, funds for the prompt payment of the Principal and Redemption Price of and interest on the Bonds of such Series presented at any such place of payment. The Trustee shall pay to the Paying Agent, to the extent of the moneys held by the Trustee for such payment, funds for the prompt payment of the Principal and Redemption Price of and interest on the fully-registered Bonds of such Series presented at any such place of payment and on any Contract.

Section 6.14. Eminent Domain. If all or any part of the System shall be taken by eminent domain proceedings or conveyance in lieu thereof, the net proceeds realized by the Issuer therefrom shall be deposited with the Trustee in a special fund in trust and shall be applied and disbursed by the Trustee subject to the following conditions:

(a) If such funds are sufficient to provide for the payment of the entire amount of Principal due or to become due upon all of the Outstanding Bonds and Outstanding Contracts, together with all of the interest due or to become due thereon and any redemption premiums thereon, so as to enable the Issuer to retire all of the Bonds and Contracts then Outstanding, either by call and redemption at the then current Redemption Prices or by payment at maturity or partly by redemption prior to maturity and partly by payment at maturity, and to pay all Repayment Obligations, the Trustee shall apply such moneys to such retirement or payment, as appropriate, and to the payment of such interest. Pending the application of such proceeds for such purpose, such moneys shall be invested by the Trustee in Government Obligations. The balance of such moneys, if any, shall be transferred to the Issuer.

(b) If such proceeds are insufficient to provide the moneys required for the purposes set forth in subsection (a) of this Section, the Issuer shall file with the Trustee a Written Request of the Issuer requesting the Trustee to apply such proceeds for one of the following purposes:

(1) If such Written Request requests the Trustee to apply such proceeds to the purchase, redemption or retirement of Bonds and Contracts, the Trustee shall apply such proceeds to the purchase, redemption or retirement of Bonds and Contracts then Outstanding. If more than one Series of Bonds and Contracts is then Outstanding, such proceeds shall be applied pro rata to the

purchase, redemption or retirement of the Bonds of each such Series and the payment of the Contracts in the proportion which the Principal amount of Bonds of each such Series and Contracts then Outstanding bears to the aggregate Principal amount of all Bonds and Contracts then Outstanding. Pending the application of such proceeds for such purpose, such moneys shall be invested by the Trustee in Government Obligations.

(2) If such Written Request requests the Trustee to deliver such proceeds to the Issuer to apply to the cost of additions, betterments, extensions or improvements to the System, the Issuer shall also file with the Trustee an Engineer’s Certificate showing the loss in annual Revenues, if any, suffered, or to be suffered, by the Issuer by reason of such eminent domain proceedings, together with a general description of the additions, betterments, extensions or improvements to the System then proposed to be acquired or constructed by the Issuer from such proceeds. If, in the opinion of the Issuer (evidenced by a Written Certificate of the Issuer filed with the Trustee), which shall be final, the additional Revenues to be derived from such additions, betterments, extensions or improvements will sufficiently offset the loss of Revenues resulting from such eminent domain proceedings so that the ability of the Issuer to meet its obligations hereunder will not be substantially impaired, the Trustee shall pay such proceeds to the Issuer. The Issuer, in reaching such determination, may rely upon the Engineer’s Certificate. The Issuer shall hold such proceeds in trust and apply them to the acquisition or construction of the additions, betterments, extensions or improvements substantially in accordance with such Engineer’s Certificate. The Issuer shall acquire or construct such additions or improvements in a sound and economic manner and as expeditiously as is practicable. Any balance of such proceeds not required by the Issuer for the purposes aforesaid shall be deposited into the Revenue Fund.

(3) If such Written Request requests the Trustee to deposit such proceeds into the Revenue Fund upon the basis that such eminent domain proceedings have had no effect, or at the most a relatively immaterial effect, upon the security of the Bonds or Contracts, the Issuer shall also file with the Trustee an Engineer’s Certificate stating that such eminent domain proceedings have not substantially impaired or affected the operation of the System or the ability of the Issuer to meet all of its obligations hereunder with respect to the payment of the Bonds. Upon receipt of such Written Request and such Engineer’s Certificate, the Trustee shall deposit such proceeds into the Revenue Fund.

Section 6.15. Reconstruction of System; Application of Insurance Proceeds. If any useful portion of the System shall be damaged or destroyed, the Issuer shall, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the reconstruction or replacement thereof at such location as the Issuer deems appropriate, unless the Issuer shall file with the Trustee an Engineer’s Certificate to the effect that such reconstruction or replacement is not in the interests of the Issuer, the Bondholders and the Contracting Parties. The proceeds of any insurance paid on account of such damage or destruction, other than business interruption

loss insurance or public liability insurance, shall, if the appropriate Project Account in the Construction Fund has not been closed, be paid into the Construction Fund as provided in Section 5.03(c), or if the Construction Fund has been closed, shall be held by the Trustee in a special account and made available for, and to the extent necessary applied to, the cost of such reconstruction or replacement, if any. Pending such application, such proceeds may be invested by the Issuer in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed to pay such cost of reconstruction or replacement. Any balance of such proceeds of insurance shall be applied in the same manner as provided in Section 5.03(i).

Section 6.16. Compliance with Resolution. The Issuer will not issue any Bonds or enter into any Contract 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 hereof. The Issuer 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, the Contracting Parties, the Security Instrument Issuers and the Reserve Instrument Issuers of the rights, benefits and security provided in the Resolution. The Issuer for itself, its successors and assigns, represents, covenants and agrees with the Holders of the Bonds, the Contracting Parties, the Security Instrument Issuers and the Reserve Instrument Issuers as a material inducement to the purchase of the Bonds, the execution of the Contracts and the issuance of the Security Instruments and the Reserve Instruments, 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 and Contracts.

Section 6.17. Power to Issue Bonds and Pledge Revenues and Other Funds. The Issuer 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 Contracts and the provisions of the Resolution are and will be the valid and legally enforceable obligations of the Issuer in accordance with their terms and the terms of the Resolution. The Issuer 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, the Contracting Parties, the Security Instrument Issuers and the Reserve Instrument Issuers under the Resolution against all claims and demands of all persons whomsoever.

Section 6.18. Power to Own System and Collect Rates and Fees; Water Rights. The Issuer has, and will have so long as any Bonds or Contracts are Outstanding or Repayment Obligations are unpaid, good, right and lawful power to own (to the fullest extent of its interest therein) or to operate the System and to fix and collect rates, fees and other charges in connection with the System. The Issuer shall at all times undertake reasonable efforts to perfect, protect and maintain all water and water rights, Water Purchase Contracts, permits, licenses and claims necessary for the operation of the System.

Section 6.19. Levy of Tax to Pay Operation and Maintenance Costs. The Issuer shall, so long as any of the Bonds or Contracts are Outstanding, levy annually the tax of .0005 on the dollar authorized by Section 17A-2-818(6)(b) or similar successor provision of law, or the maximum amount of such different annual levy as may be hereafter provided for by law, of assessed valuation of taxable property within the Issuer or so much thereof as shall be necessary, together with other available Revenues of the System, (a) for the payment of Operation and Maintenance Costs pursuant to the provisions of the Act, and (b) for the payment of debt service on any outstanding General Obligation Bonds to the extent that such General Obligation Bonds are payable from such tax and no other tax or assessment is being levied by the Issuer to pay such General Obligation Bonds.

Section 6.20. Payment of General Obligation Bonds and Operation and Maintenance Costs. The Issuer covenants and agrees that any taxes collected pursuant to the provisions of the Act shall be used to pay, to the extent permitted by law, debt service on any General Obligation Bonds, and to pay the Operation and Maintenance Costs of the System.

Section 6.21. Exclusion of Lands from the Issuer. Any other provisions of the Resolution to the contrary notwithstanding, the Issuer may exclude lands from the boundaries of the Issuer only upon compliance with the provisions of the Act and other applicable law, as evidenced by a Written Certificate of the Issuer submitted to the Trustee on or before the effective date of such exclusion, identifying generally the lands to be excluded and certifying that such exclusion complies with such provisions of the Act and this Section. Such Written Certificate of the Issuer shall be accompanied by certified copies of any actions of the Governing Body adopted pursuant to such provisions of the Act and an Opinion of Counsel, which may be counsel to the Issuer, to the effect that such exclusion is being effected in accordance with such provisions of the Act.

Section 6.22. General. (a) The Issuer shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Issuer under the provisions of the Act and the Resolution.

(b) Upon the date of authentication and delivery of any of the Bonds or the date of execution of any Contract, all acts, conditions and things required by law and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of such Bonds or Contracts shall exist, have happened and have been performed in regular and in due time, form and manner as required by law and the Issuer will have duly and regularly complied with all applicable provisions of law and will be duly authorized to issue the Bonds or Contracts under the Act in the manner and upon the terms as in the Resolution provided.

ARTICLE VII

THE TRUSTEE AND THE PAYING AGENTS

Section 7.01. Appointment of Trustee. (a) The Issuer shall in the Supplemental Resolution authorizing the first Series of Bonds appoint the Trustee for the Holders of the Bonds, to act as the legal depository of the Issuer for the purpose of receiving all moneys which the Issuer is required to pay to the Trustee hereunder, and to hold, allocate, use and apply the same as provided in the Resolution. The Trustee shall signify its acceptance of the duties and obligations imposed on it by the Resolution by executing and delivering to the Issuer a written acceptance thereof. The Trustee shall also act as registrar and as a Transfer Agent for the Bonds, with the duties herein provided, and shall also act in accordance with the duties specified in Section 3.01(a), except that the Issuer may appoint one or more additional Transfer Agents.

(b) The Trustee may at any time resign or be discharged of its duties and obligations hereby created by giving not less than sixty (60) days' written notice to the Issuer, specifying the date when such resignation shall take effect, and mailing notice thereof by first class mail, postage prepaid, to the Holders of all Bonds and all Contracting Parties then Outstanding. Such resignation shall take effect on the day specified in such notice unless previously a successor shall have been appointed as hereinafter provided, in which event such resignation shall take effect immediately upon the appointment of such successor; *provided, however*, that such resignation of the Trustee shall in no event take effect until such successor shall have been appointed and accepted the duties of Trustee.

(c) The Issuer may at any time remove the Trustee initially appointed or any successor thereto by the adoption of a Governing Body resolution providing for such removal, for the appointment of a successor, and for the effective date of the removal of the Trustee. The Trustee may also be removed at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Holders of Bonds and Contracting Parties representing a majority of the Principal amount of the Bonds and Contracts then Outstanding or their attorneys-in-fact duly authorized. Any such removal of the Trustee shall in no event take effect until such successor shall have been appointed and shall have accepted the duties of Trustee.

(d) Notice of the resignation or removal of the Trustee and the appointment of a successor shall be given by first class mail, postage prepaid, to the registered Holders of all Bonds then Outstanding, to all Contracting Parties, to all Security Instrument Issuers and to all Reserve Instrument Issuers, within thirty (30) days after adoption of the Governing Body resolution providing for such appointment. Any successor Trustee appointed by Governing Body resolution adopted subsequent to the issuance of the first Series of Bonds issued hereunder shall be a bank or trust company in good standing incorporated under the laws of the United States of America or any state, duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$50,000,000.

Section 7.02. Paying Agents; Appointment and Acceptance of Duties; Removal. The Issuer shall appoint Paying Agents for the Bonds of each Series and Contracts pursuant to Supplemental Resolutions. Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by executing and delivering to the Issuer and to the Trustee a written acceptance thereof. The Issuer may remove any Paying Agent and any successor thereto, and appoint a successor or successors thereto; *provided, however*, that any such Paying Agent designated by the Issuer shall continue to be a Paying Agent of the Issuer for the purpose of paying the Principal and Redemption Price of and interest on the Bonds and Contracts until the designation of a successor as such Paying Agent. Each Paying Agent designated for a Series of Bonds is hereby authorized to redeem Bonds of such Series when duly presented to it for payment or redemption, which Bonds shall thereafter be delivered to the Trustee for cancellation.

Section 7.03. Terms and Conditions of the Trusts. The Trustee shall perform the trusts contained in the Resolution as a corporate trustee ordinarily would perform said trusts under a corporate indenture, only upon and subject to the following express terms and conditions:

(a) The Trustee shall perform such duties and only such duties as are specifically set forth in the Resolution. The duties and obligations of the Trustee shall be determined solely by the express provisions of the Resolution, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in the Resolution, and no implied covenants or obligations shall be read into the Resolution against the Trustee.

(b) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees but shall not be answerable for the conduct of any of the same who have been selected by it with ordinary care in accordance with the standard specified above, and shall be entitled to advice of counsel concerning all matters of trusts hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts hereof. The Trustee may act upon the opinion or advice of any attorney for the Issuer or any other attorneys, if, in the case of such other attorneys, they are approved by the Trustee in the exercise of reasonable care. The Trustee shall not be responsible for any loss or damage resulting from any action or non-action in good faith in reliance upon such opinion or advice. The Trustee shall not be liable for any error of judgment made in good faith by any of its officers or employees unless it shall be proved that the Trustee was negligent in ascertaining pertinent facts.

(c) The Trustee shall not be responsible for any recital herein, or in the Bonds or in the Contracts (except in respect to the certificate of authentication of the Trustee endorsed on the Bonds), or for the sufficiency of the security for the Bonds and Contracts issued hereunder or intended to be secured hereby, and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the Issuer herein set forth; but the Trustee may require of the Issuer full information and advice as to the performance of the covenants, conditions and

agreements aforesaid. The Trustee shall have no obligation to perform any of the duties of the Issuer under the Resolution.

(d) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder. The Trustee may become the owner or pledgee of Bonds secured hereby with the same rights which it would have if not Trustee. To the extent permitted by law, the Trustee may also receive tenders and purchase in good faith Bonds from itself, including any department, affiliate or subsidiary, with like effect as if it were not Trustee.

(e) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to the Resolution, upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Holder of any Bond or a Contracting Party, shall be conclusive and binding upon all future Holders of the same Bond or a Contracting Party and upon Bonds issued in exchange therefor or in place thereof. The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Contracting Parties and the Holders of not less than a majority in Principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under the Resolution.

(f) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a Written Certificate of the Issuer as sufficient evidence of the facts therein contained and shall also be at liberty to accept a similar Written Certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a certificate of the Secretary to the effect that a resolution in the form therein set forth has been adopted by the Issuer as conclusive evidence that such resolution has been duly adopted, and is in full force and effect.

(g) The permissive right of the Trustee to do things enumerated in the Resolution shall not be construed as a duty and it shall not be answerable for other than its gross negligence or willful default.

(h) The Trustee shall not be required to take notice or be deemed to have notice of any default hereunder except (1) failure by the Issuer to cause to be made any of the payments to the Trustee required to be made by Article V hereof, (2) the failure of the Issuer to file with the Trustee any document required by the Resolution to be so filed prior to or subsequent to the issuance of the Bonds, or (3) any default with respect to a Security Instrument Agreement or a Reserve Instrument Agreement as to which any of the parties thereto has specifically notified the Trustee in writing; *provided* that the

Trustee shall be required to take notice or be deemed to have notice of any default hereunder if specifically notified in writing of such default by the Holders of not less than ten percent (10%) in aggregate Principal amount of Bonds then Outstanding or by a Contracting Party and all notices or other instruments required by the Resolution to be delivered to the Trustee have been delivered at the principal corporate trust office of the Trustee. In the absence of such notice, the Trustee may conclusively assume there is no default except as aforesaid.

(i) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right fully to inspect any and all books, papers and records of the Issuer pertaining to the System, the Bonds and the Contracts, and to take such memoranda from and in regard thereto as may be desired.

(j) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(k) Notwithstanding anything elsewhere in the Resolution contained, the Trustee shall have the right, but shall not be required, to demand, in respect of the authentication of any Bonds or the execution of any Contract or any action whatsoever within the purview of the Resolution, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required, as a condition of such action by the Trustee reasonably deemed desirable by it for the purpose of establishing the right of the Issuer to the authentication of any Bonds or the execution of any Contract or the taking of any other action by the Trustee.

(l) The Trustee shall be under no obligation to exercise any of the trusts or powers vested in it by the Resolution at the request, order or direction of any of the Bondholders, Security Instrument Issuers, Reserve Instrument Issuers or Contracting Parties, pursuant to the provisions of the Resolution, unless such Bondholders, Security Instrument Issuers, Reserve Instrument Issuers or Contracting Party shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred therein or thereby.

(m) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by mandatory provisions of law.

(n) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, appraisal, Bond, Contract or other paper or document, unless requested in writing so to do by (1) a Contracting Party, (2) Holders of not less than twenty-five percent (25%) in aggregate Principal amount of the Bonds then Outstanding, (3) any Security Instrument Issuer of a Security Instrument then in full force and effect and not in default on a payment obligation, or (4) any Reserve Instrument

Issuer of a Reserve Instrument then in full force and effect and not in default on a payment obligation; *provided*, that, if the payment within a reasonable time to the Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not reasonably assured to the Trustee by the security afforded to it by the terms of the Resolution, the Trustee may require reasonable indemnity against such expenses or liabilities as a condition to so proceeding. The reasonable expense of every such inquiry or examination shall be paid by the Issuer or, if paid by the Trustee, shall be repaid by the Issuer.

(o) The Trustee shall not be liable for any action taken by it in good faith and reasonably believed by it to be authorized or within the discretion, rights or powers conferred upon it by the Resolution.

(p) None of the provisions contained in the Resolution shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if there is reasonable ground for believing that the repayment of such funds or liability is not reasonably assured to it.

(q) The Trustee shall not be obligated to take or omit to take any action hereunder if, upon the basis of advice of counsel selected by it, the Trustee determines it would be unlawful to take or omit to take such action.

(r) The books of record and accounts maintained by the Trustee in connection with its duties hereunder shall at all times during business hours of the Trustee be subject to the inspection of an Authorized Officer of the Issuer.

(s) The Trustee hereby waives any right to set off and shall apply any and all deposits (general or special, time or demand, provisional or final) or collateral at any time held or any other indebtedness at any time owing by the Trustee, to or for the funds and accounts created hereunder or under any Supplemental Resolution, for the payment of the Principal of and interest on any Bonds or Contracts.

Section 7.04. Intervention by the Trustee. In any judicial proceeding to which the Issuer is a party and which in the opinion of the Trustee has a substantial bearing on the interests of Holders of the Bonds or Contracting Parties, the Trustee may intervene on behalf of Bondholders and Contracting Parties and shall do so if requested in writing by a Contracting Party, by the Holders of a majority of the aggregate Principal amount of Bonds then Outstanding or any Security Instrument Issuer of a Security Instrument then in full force and effect and not in default on a payment obligation. The rights and obligations of the Trustee under this section are subject to the approval of a court of competent jurisdiction.

Section 7.05. Successor Trustee. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business or assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or

transfer to which it is a party, shall be and become successor Trustee hereunder and vested with all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of the Trustee or the Issuer, anything herein to the contrary notwithstanding.

Section 7.06. Concerning Any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its or his predecessor and also to the Issuer an instrument in writing accepting such appointment hereunder and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor shall, nevertheless, on the Written Request of the Issuer, or of its successor, execute and deliver an instrument transferring to such successor Trustee all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as Trustee hereunder to its or his successor. Should any instrument in writing from the Issuer be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Issuer. Any Trustee ceasing to act shall, nevertheless, retain lien upon all property or funds held or collected by such Trustee to secure any amounts then due it pursuant to the provisions of Section 7.07 hereof.

Section 7.07. Compensation of the Trustee and Its Lien. The Issuer covenants and agrees to pay to the Trustee from time to time and the Trustee shall be entitled to, reasonable compensation and, except as otherwise expressly provided, the Issuer covenants and agrees to pay or reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of the Resolution (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ including but not limited to any Paying Agent, Transfer Agent or Depository) except any such expense, disbursement or advance as may arise from its negligence or bad faith. The Issuer also covenants to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on the part of the Trustee, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim of liability in the premises. The obligations of the Issuer under this Section to compensate and indemnify the Trustee and to pay or reimburse the Trustee for expenses, disbursements and advances shall constitute additional indebtedness hereunder and shall survive the satisfaction and discharge of the Resolution. Such additional indebtedness shall be secured by a lien prior to that of the Bonds upon all property and funds held or collected by the Trustee as such, except funds held in trust for the benefit of the Holders of particular Bonds.

Section 7.08. Appointment of Co-Trustee. It is the purpose of this Resolution that there shall be no violation of any law of any jurisdiction (including particularly the law of Utah) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in case of litigation under the Resolution, and in particular in case of the enforcement thereof on default, or in the case the Trustee deems that

by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate or co-trustee. The following provisions of this section are adapted to these ends.

In the event that the Trustee appoints an additional individual or institution as a separate or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by the Resolution to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or co-trustee but only to the extent necessary to enable such separate or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them.

Should any instrument in writing from the Issuer be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to him or it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Issuer. In case any separate trustee or co-trustee, or a successor to either of them shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

Section 7.09. Appointment, Duties and Term of Remarketing Agent. The Issuer may pursuant to a Supplemental Resolution appoint one or more Remarketing Agents from time to time to purchase or remarket Put Bonds.

Section 7.10. Appointment, Duties and Term of Transfer Agent. The Issuer may appoint one or more Transfer Agents from time to time to transfer and authenticate Bonds. Each appointment of a Transfer Agent other than the Trustee shall be made by a Supplemental Resolution which shall, among other things, specify the duties, qualifications and term of such Transfer Agent and the conditions under which such Transfer Agent may resign, be removed or be replaced. Each Transfer Agent other than the Trustee shall signify its acceptance of the duties imposed upon it pursuant to the Resolution by depositing with the Issuer and the Trustee a written acceptance of such duties, together with a certificate stating that the Transfer Agent is duly qualified to perform such duties under the terms of the Resolution and under all applicable local, state and federal laws. Unless otherwise provided in a Supplemental Resolution authorizing the issuance of a Series of Bonds, the Trustee shall act as Transfer Agent for such Series of Bonds.

ARTICLE VIII

MODIFICATION OR AMENDMENT OF RESOLUTION

Section 8.01. Amendments Permitted. (a) The Resolution or any Supplemental Resolution and the rights and obligations of the Issuer and of the Holders of the Bonds and the Contracting Parties 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 Contracting Parties and the Holders of at least sixty percent (60%) in Principal amount of the Bonds then Outstanding,

(2) in case less than all of the several Series of Bonds then Outstanding or less than all of the Contracting Parties 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 or the Contracting Parties 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 Contracts or Bonds of any specified Series remain Outstanding, the consent of the Contracting Parties or the Holders of Bonds of such Series shall not be required and the Contract and Bonds of such Series shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No modification or amendment permitted by this Section shall (i) extend the fixed maturity of any Bond or Contract, 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 or Contracting Party so affected, or (ii) 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 (iii) 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 and not in default on a payment obligation with respect to any Series of Bonds Outstanding and if a proposed modification or amendment would affect such Series of Bonds, then, except as provided in Section 8.01(b), 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. Notwithstanding any provisions of the Resolution to the contrary, a Supplemental Resolution providing for the issuance by a Security Instrument Issuer of a Security Instrument in connection with a Series of Bonds issued under the Resolution may provide, among other provisions, that the Security Instrument Issuer shall at all times, so long as the Series of Bonds remain Outstanding, be deemed to be the exclusive Holder of all of the

Bonds of such Series for the purpose of consenting to the execution and delivery of a Supplemental Resolution pursuant to the provisions of this subsection (a).

(b) The Resolution or any Supplemental Resolution and the rights and obligations of the Issuer, the Holders of the Bonds, the Contracting Parties, 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, Contracting Party, Security Instrument Issuer or Reserve Instrument Issuer, 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 Issuer contained in the Resolution, other covenants and agreements thereafter to be observed, or to surrender any right or power herein reserved to or conferred upon the Issuer;

(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 Issuer may deem necessary or desirable, and which shall not adversely affect the interests of the Holders of the Bonds, the Contracting Parties, the Security Instrument Issuers or the Reserve Instrument Issuers;

(3) to provide for the issuance of a Series of Bonds or the execution of a Contract, and to provide the terms and conditions under which such Series of Bonds may be issued or Contract executed, subject to and in accordance with the provisions of Article II;

(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 Contracting Party, 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 or by a Security Instrument Issuer or Reserve Instrument Issuer in order to insure or provide other security for any 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 hereunder to the United States of America. Any Tax Exemption Certificate may be amended or supplemented at any time as and to the extent provided therein without the consent of the Bondholders, Contracting Parties, Security Instrument Issuers or Reserve Instrument Issuers;

(7) if the Bonds affected by such change are rated by a Rating Agency, to make any change which does not result in a reduction of the rating applicable to any of the Bonds so affected, provided that if any of the Bonds so affected are secured by a Security Instrument, such change must be approved in writing by the related Security Instrument Issuer;

(8) if the Bonds affected by such change are secured by a Security Instrument, to make any change approved in writing by the related Security Instrument Issuer, provided that if any of the Bonds so affected are rated by a Rating Agency, such change shall not result in a reduction of the rating applicable to any of the Bonds so affected;

(9) if the Bonds affected by such change are pledged to the payment of Agency Bonds and such Agency Bonds are rated by a Rating Agency, to make any change which does not result in a reduction of the rating applicable to any of the Agency Bonds so affected, provided that if any of the Agency Bonds so affected are secured by a Security Instrument, such change must be approved in writing by the related Security Instrument Issuer;

(10) if the Bonds affected by such change are pledged to the payment of Agency Bonds and such Agency Bonds are secured by a Security Instrument, to make any change approved in writing by the related Security Instrument Issuer, provided that if any of the Agency Bonds so affected are rated by a Rating Agency, such change shall not result in a reduction of the rating applicable to any of the Agency Bonds so affected;

(11) unless otherwise provided by a Supplemental Resolution authorizing a Series of Construction Bonds (or Bond Anticipation Notes), the designation of additions, improvements and extensions to the System as a Project by such Supplemental Resolution may be modified or amended if the Issuer delivers to the Trustee (1) a Supplemental Resolution designating the facilities to comprise the Project, (2) an opinion of Bond Counsel to the effect that such amendment will not adversely affect the tax-exempt status (if applicable) or validity of the Bonds, and (3) a Written Certificate of the Issuer setting forth the Estimated Completion Date and the estimated Cost of Construction of the Project, as amended, and certifying that such amendment will not adversely affect the Issuer's ability to comply with the provisions of the Resolution, particularly Section 6.12;

(12) the designation of facilities used or useful in the generation, transmission or distribution of electricity as additions, improvements and extensions to the System and the modification or amendment of such other provisions of the Resolution as the Issuer shall deem necessary in connection therewith if the Issuer delivers to the Trustee an Engineer's Certificate, given by an engineer described in clause (b) of the definition of "Qualified Engineer," to the effect that such modification or amendment will not cause the Issuer to be unable to satisfy the Rate Covenant Requirement in any future Fiscal Year with respect to the Bonds and Contracts then Outstanding;

(13) to correct any references contained herein to provisions of the Act, the Code or other applicable provisions of law that have been amended so that the references herein are incorrect;

(14) to provide for the pledge of additional monies, funds or other assets to secure payment of one or more Series of Bonds or Contracts;

(15) to change the Renewal and Replacement Reserve Fund Requirement; and

(16) to provide for a Reserve Instrument instead of cash to satisfy all or a portion of a Debt Service Reserve Requirement.

No modification or amendment shall be permitted pursuant to paragraph (7), (8), (9) or (12) of this Section 8.01(b) unless the Issuer delivers to the Trustee an Opinion of Counsel of nationally recognized standing in the field of law relating to municipal bonds to the effect that such modification or amendment will not adversely affect the tax-exempt status or validity of any Bonds affected by such modification or amendment. The Issuer shall notify any Security Instrument Issuer or Reserve Instrument Issuer prior to the adoption of a Supplemental Resolution pursuant to this Section 8.01(b).

(c) Each Supplemental Resolution authorized by this Section shall become effective as of the date of its adoption or such later date as shall be specified in such Supplemental Resolution.

Section 8.02. Bondholders' Meetings. (a) The Trustee may, and upon the Written Request of the Issuer shall, at any time, call a meeting of the Holders of Bonds and Contracting Parties, to be held at such place as may be selected by the Trustee and specified in the notice calling such meeting. Written notice of such meeting, stating the time and place of meeting and in general terms the business to be submitted, shall be mailed by the Trustee, postage prepaid, not less than thirty (30) nor more than sixty (60) days before such meeting, to any Security Instrument Issuer or Reserve Instrument Issuer that is in effect and not in default on a payment obligation with respect to any Series of Bonds Outstanding and to each Holder of Bonds then Outstanding and each Contracting Party at his address, if any, appearing upon the Bond register of the Issuer. The cost and expense of the giving of such notice shall be borne by the Issuer and the Trustee shall be reimbursed by the Issuer for any expense incurred by it.

(b) Prior to calling any meeting of the Holders of Bonds and Contracting Parties, the Trustee shall adopt regulations for the holding and conduct of such meeting, and copies of such regulations shall be filed at the principal corporate trust office of the Trustee and at the office of the Issuer and shall be open to the inspection of all Bondholders and Contracting Parties. The regulations shall include such provisions as the Trustee may deem advisable for evidencing the ownership of Bonds, for voting in person or by proxy, for the selection of temporary and permanent officers to conduct the meeting and inspectors to tabulate and canvass the votes cast thereat, the adjournment of any meeting and the records to be kept of the proceedings of such meeting, including rules of order for the conduct of such meeting and such other regulations as, in the opinion of the Trustee, may be necessary or desirable.

(c) No resolution adopted by such meeting of Bondholders and Contracting Parties shall be binding unless and until a valid Supplemental Resolution has been passed containing the modifications or amendments authorized by the resolution adopted at such meeting. Such Supplemental Resolution shall become effective upon the filing with the Trustee of the resolution adopted at such meeting and such Supplemental Resolution.

Section 8.03. Amendment by Written Consent. The Governing Body may at any time adopt a valid Supplemental Resolution amending the provisions of the Bonds, a Contract or of the Resolution or any Supplemental Resolution, to the extent that such an amendment is permitted by this Article, 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 Section. Such Supplemental Resolution shall not be effective unless there shall have been filed with the Issuer 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 hereinafter in this Section provided. It shall not be necessary for any consent of the Bondholders and Contracting Parties under this Section 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, which proof shall be such as is permitted by Section 12.04. 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 Issuer prior to the date when the notice hereinafter in this Section provided for has been mailed. Notice of the fact of the adoption of such Supplemental Resolution shall be mailed by the Issuer to Bondholders and Contracting Parties (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) and to each Security Instrument Issuer and Reserve Instrument Issuer of a Security Instrument or a Reserve Instrument, as the case may be, then in effect and not in default in a payment obligation.

Section 8.04. Disqualified Bonds. Bonds owned or held by or for the account of the Issuer shall not be deemed Outstanding for the purpose of any vote, consent or other action or any calculation of Outstanding Bonds in this Article provided for, and neither the Issuer nor any Holder of such Bonds shall not be entitled to vote or consent to, or to take, any other action provided for in this Article. Any Pledged Bonds shall be deemed Outstanding and, for the purposes of any vote, shall be considered to be owned by the appropriate Security Instrument Issuer.

Section 8.05. Effect of Modification or Amendment. When any Supplemental Resolution modifying or amending the provisions of the Resolution or any Supplemental Resolution shall become effective, as provided in this Article, the Resolution or such Supplemental Resolution shall be and be deemed to be modified and amended in accordance therewith and the respective rights, duties and obligations under the Resolution or such Supplemental Resolution of the Issuer, the Trustee, the Contracting Parties, any Security

Instrument Issuer, any Reserve Instrument Issuer and all Holders of Bonds Outstanding hereunder or thereunder shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Resolution shall be and be deemed to be part of the terms and conditions of the Resolution or the modified or amended Supplemental Resolution for any and all purposes.

Section 8.06. Endorsement or Replacement of Bonds Issued After Amendments. The Issuer or the Trustee may determine that Bonds executed and delivered after the effective date of a Supplemental Resolution adopted as provided in this Article shall bear a notation, by endorsement or otherwise, in form approved by the Issuer, as to the modification or amendment provided for by such Supplemental Resolution. In that case, upon demand of the Holder of any Bond Outstanding at such effective date and presentation of his Bond for the purpose at the principal corporate trust office of the Trustee or at such other office as the Issuer may select and designate for that purpose, a suitable notation shall be made on such Bond. The Issuer may determine that new Bonds, so modified as in the opinion of the Issuer is necessary to conform to such Supplemental Resolution, shall be prepared, executed and delivered. In that case, upon demand of the Holder of any Bond then Outstanding, such new Bonds shall be exchanged at the principal corporate trust office of the Trustee without cost to any Bondholder, for Bonds then Outstanding, upon surrender of such Bonds.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES OF BONDHOLDERS

Section 9.01. Events of Default. The occurrence of one or more of the following events shall constitute an "Event of Default":

(a) failure by the Issuer to make the due and punctual payment of the Principal or Redemption Price of any Bond or Contract when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;

(b) failure by the Issuer to make the due and punctual payment of any installment of interest on any Bond or Contract or any Sinking Fund Installment when and as such interest installment or Sinking Fund Installment shall become due and payable;

(c) failure by the Issuer to observe any of the covenants, agreements or conditions on its part in the Resolution or in the Bonds or Contracts contained, and failure to remedy the same for a period of sixty (60) days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Issuer by the Trustee, or to the Issuer and the Trustee by a Contracting Party or the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding;

(d) 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 Issuer and, if instituted against the Issuer, said proceedings are consented to or are not dismissed within thirty (30) days after such institution; or

(e) any event specified in a Supplemental Resolution as constituting an Event of Default;

provided that any failure by the Issuer to make payment as described in subparagraph (a) or (b) of this Section shall not constitute an Event of Default with respect to any Bond if the Supplemental Resolution authorizing the issuance of such Bond provides that due and punctual payment by a Security Instrument Issuer or a Reserve Instrument Issuer shall not give rise to an Event of Default and such payment is, in fact, duly and punctually made.

The Trustee shall give notice to any Security Instrument Issuer or Reserve Instrument Issuer of any Event of Default known to the Trustee within thirty (30) days after it has knowledge thereof.

Section 9.02. Acceleration. (a) Upon the occurrence of an Event of Default, unless the principal of all the Bonds and Contracts shall have already become due and payable,

(1) the Trustee may, or

(2) upon receipt of the written request of a Contracting Party or (i) the Holders of not less than twenty-five percent (25%) in aggregate Principal amount of the Bonds at the time Outstanding (subject to any limitations specified in a Supplemental Resolution authorizing a Series of Bonds with respect to the rights of the Holders of such Bonds, as the case may be), (ii) Security Instrument Issuers at the time providing Security Instruments which are in full force and effect and not in default on any payment obligation and which secure not less than twenty-five percent (25%) in aggregate Principal amount of the Bonds at the time Outstanding or a Contract, or (iii) any combination of Bondholders and Security Instrument Issuers described in clauses (i) and (ii) representing not less than 25% in aggregate Principal amount of the Bonds at the time Outstanding, the Trustee shall, or

(3) the Trustee shall, if an Event of Default shall have occurred under Section 9.01(e) and the Supplemental Resolution specifying such Event of Default requires acceleration upon occurrence of such Event of Default under this Section 9.02 (provided that if the Supplemental Resolution specifies that any conditions relating to such Event of Default to be satisfied prior to acceleration, such conditions have been satisfied),

upon notice in writing to the Issuer, declare the Principal of all of the Bonds and Contracts then Outstanding, and the interest accrued thereon, to be due and payable immediately. Upon such declaration such Principal and interest shall be immediately due and payable, notwithstanding anything to the contrary in the Resolution or in the Bonds or Contracts; provided that with respect to an Event of Default described in 9.01(a) or (b) relative to any Series of Bonds Outstanding secured by a Security Instrument which is in full force and effect and not in default on any payment obligation thereunder, no acceleration of such Series of Bonds shall occur without the written consent of the Security Instrument Issuer that provided such Security Instrument, which consent shall not be unreasonably withheld.

(b) The right of the Trustee, or of the parties described in Section 9.02(a)(2), to request the Trustee to make any such declaration as aforesaid, however, is subject to the conditions that:

(1) if, at any time after such declaration, all overdue installments of interest upon the Bonds and Contracts, together with the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums then payable by the Issuer under the Resolution (except the Principal of, and interest accrued since the next preceding interest payment date on, the Bonds and Contracts due and payable solely by virtue of such declaration) shall either be paid by the Issuer or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Bonds and Contracts 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 and if any Security Instrument then in effect with respect to the Bonds has been reinstated to the fullest amount possible with respect to such Bonds pursuant to the terms and provisions of the related 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 all of the Contracting Parties and (i) the Holders of not less than fifty percent (50%) in aggregate Principal amount of the Bonds at the time Outstanding (subject to any limitations specified in a Supplemental Resolution authorizing a Series of Bonds with respect to the rights of the Holders of such Bonds), (ii) Security Instrument Issuers at the time providing Security Instruments which are in full force and effect and not in default on any payment obligation and which secure fifty percent (50%) in aggregate Principal amount of the Bonds then Outstanding, or (iii) any combination of Bondholders and Security Instrument Issuers described in clauses (i) and (ii) representing fifty percent (50%) in aggregate Principal amount of the Bonds at the time Outstanding, by written notice to the Issuer 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 parties described in Section 9.02(a)(2), and if there shall not have been theretofore delivered to the Trustee written direction to the contrary by all of the Contracting Parties and (i) the Holders of not less than fifty percent (50%) in aggregate Principal amount of the Bonds then Outstanding (subject to any limitations specified in a Supplemental Resolution authorizing a Series of Bonds with respect to the rights of the Holders of such Bonds), (ii) Security Instrument Issuers at the time providing Security Instruments which are in full force and effect and not in default on any payment obligation and which secure not less than fifty percent (50%) in aggregate Principal amount of the Bonds then Outstanding, or (iii) any combination of Bondholders and Security Instrument Issuers described in clauses (i) and (ii) representing not less than fifty percent (50%) in aggregate Principal amount of the Bonds at the time 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.

Section 9.03. Accounting and Examination of Records After Default. The Issuer covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and accounts of the Issuer and all other records of the Issuer relating to the System shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys. The Issuer covenants that if an Event of Default shall happen and shall not have been remedied, the Issuer, upon demand of the Trustee, will account, as if it were the trustee of an express trust, for all Revenues and other moneys, securities and funds pledged or held under the Resolution for such period as shall be stated in such demand.

Section 9.04. Application of Revenues and Other Moneys After Default. (a) 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:

(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, the Contracts and Security Instrument Repayment Obligations, as follows:

(A) unless the Principal of all of the Bonds and Contracts 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, the Contracts 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, the Contracts 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, the Contracts 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 and Contracts 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, the Contracts 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, Contract or Security Instrument Repayment Obligations over any other Bond, Contract 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 all Reserve Instrument Issuers, ratably, according to the amounts due without any discrimination or preference.

provided, however, that, unless otherwise provided in a Supplemental Resolution authorizing a Series of Bonds or a Contract: (i) moneys received under any Security Instrument or held in any Series Subaccount in the Debt Service Account in the Bond Fund shall not be used for purposes other than payment of the interest and Principal or Redemption Price then due on such Series of Bonds secured by such Security Instrument or such Series of Bonds or Contract for which such Series Subaccount in the Debt Service Account was established, in accordance with paragraph (3) of this subsection (a); and (ii) moneys received under any Reserve Instrument or held in any Series Subaccount in the Debt Service Reserve Account in the Bond Fund shall not be used for purposes other than payment of the interest and Principal or Redemption Price then due on such Series of Bonds secured by such Reserve Instrument or such Series of Bonds or Contract for

which such Series Subaccount in the Debt Service Reserve Account was established, in accordance with paragraph (3) of this subsection (a).

(b) If and whenever all overdue installments of interest on all Bonds, Contracts and Repayment Obligations, together with the reasonable and proper charges and expenses of the Trustee, and all other sums payable by the Issuer under the Resolution, including the Principal and Redemption Price of and accrued unpaid interest on all Bonds, Contracts and Repayment Obligations which shall then be payable by declaration or otherwise, shall either be paid by or for the account of the Issuer, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Resolution or the Bonds and Contracts shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, and the Security Instrument Repayment Obligations shall be made good or secured to the satisfaction of the Security Instrument Issuers or provision deemed by the Security Instrument Issuers to be adequate shall be made therefor, and the Reserve Instrument Repayment Obligations shall be made good or secured to the satisfaction of the Reserve Instrument Issuers or provision deemed by the Reserve Instrument Issuers to be adequate shall be made therefor, the Trustee shall pay over to the Issuer all such Revenues then remaining unexpended in the hands of the Trustee (except Revenues deposited or pledged, or required by the terms of the Resolution to be deposited or pledged, with the Trustee), and thereupon the Issuer and the Trustee shall be restored, respectively, to their former positions and rights under the Resolution, and all Revenues shall thereafter be applied as provided in Article V. No such payment over to the Issuer by the Trustee or resumption of the application of Revenues as provided in Article V shall extend to or affect any subsequent default under the Resolution or impair any right consequent thereon.

Section 9.05. Rights and Remedies of Bondholders and Contracting Parties. (a) Except as otherwise provided in a Supplemental Resolution authorizing a Series of Bonds or a Contract, no Holder of any Bond or Contracting Party shall have any right to institute any proceeding, judicial or otherwise, with respect to this Resolution, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(1) such Holder or Contracting Party has previously given written notice to the Trustee of a continuing Event of Default;

(2) either a Contracting Party or (1) the Holders of not less than twenty-five percent (25%) in Principal amount of the Outstanding Bonds, (2) Security Instrument Issuers at the time providing Security Instruments which are in full force and effect and not in default on any payment obligation and which secure twenty-five percent (25%) in aggregate Principal amount of the Bonds at the time Outstanding, or (3) any combination of Bondholders and Security Instrument Issuers described in clauses (1) and (2) representing not less than 25% in aggregate Principal amount of the Bonds at the time Outstanding, shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Contracting Party or Holder or Holders or Security Instrument Issuers have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for sixty (60) days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceedings; and

(5) no direction inconsistent with such written request has been given to the Trustee during such sixty (60) day period by a Contracting Party or (1) the Holders of a majority in Principal amount of the Outstanding Bonds, (2) Security Instrument Issuers at the time providing Security Instruments which are in full force and effect and not in default on any payment obligation and which secure a majority in aggregate Principal amount of the Bonds then Outstanding, or (3) any combination of Bondholders and Security Instrument Issuers described in clauses (1) and (2) representing a majority in aggregate Principal amount of the Bonds at the time Outstanding;

it being understood and intended that no one or more Contracting Parties, Holders of Bonds, Security Instrument Issuers or Reserve Instrument Issuers shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Resolution to affect, disturb or prejudice the rights of any other such parties, or to obtain or to seek to obtain priority or preference over any other such parties or to enforce any right under this Resolution, except in the manner herein and therein provided and for the equal and ratable benefit of all such parties and it being further understood and intended that no one or more Holders of Bonds shall have any right whatever to draw directly upon any Security Instrument or Reserve Instrument and that any draws upon any Security Instrument and Reserve Instrument must be strictly in accordance with the provisions of the Resolution.

(b) Notwithstanding any other provision in this Resolution, the Holder of any Bond and each Contracting Party shall have the right which is absolute and unconditional to receive payment of the Principal of, Redemption Price and interest on such Bond or Contract on the respective stated maturities expressed in such Bond or Contract (or, in the case of redemption, on the redemption date of such Bond) and to institute suit for the enforcement of any such payment, subject only to any conditions of any Security Instrument Issuer providing a Security Instrument securing such Bond. Such right to receive payment shall not be impaired without the consent of such Holder or Contracting Party.

(c) The Contracting Parties and (1) the Holders of a majority of the Principal amount of the Outstanding Bonds, (2) Security Instrument Issuers at the time providing Security Instruments which are in full force and effect and not in default on any payment obligation and which secure a majority in aggregate Principal amount of the Bonds then Outstanding, or (3) any combination of Bondholders and Security Instrument Issuers described under clauses (1) and (2) representing a majority in aggregate Principal amount of the Bonds at the time Outstanding, shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, *provided that*:

(1) such direction shall not be in conflict with any rule of law or this Resolution,

(2) the Trustee shall not determine that the action so directed would be unjustly prejudicial to the Holders not taking part in such direction, and

(3) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

Section 9.06. Appointment of Receiver. Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondholders, the Contracting Parties, the Security Instrument Issuers and the Reserve Instrument Issuers, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the trust estate created hereby, including, without limitation, the proceeds of the sale of the Bonds, the Revenues and the Funds, including the investments, if any, thereof, pending such proceedings, with such powers as a court making such appointments shall confer.

Section 9.07. Non-Waiver. Nothing in this Article or in any other provision of the Resolution, or in the Bonds or in the Contracts, shall affect or impair the obligation of the Issuer, which is absolute and unconditional, to pay the Principal and Redemption Price of and interest on the Bonds, Contracts and Repayment Obligations to the respective Holders of the Bonds, Contracting Parties, Security Instrument Issuers and Reserve Instrument Issuers at the respective dates of maturity, or upon call for redemption, as herein provided, out of the Revenues and other moneys, securities and Funds herein pledged for such payment, or affect or impair the right of action, which is also absolute and unconditional, of such Holders, Contracting Parties, Security Instrument Issuers and Reserve Instrument Issuers, as appropriate, to institute suit to enforce such payment by virtue of the contract embodied in the Bonds, Contracts and Repayment Obligations. No delay or omission of the Trustee or of any Contracting Party or Holder of the Bonds or, with respect to Repayment Obligations, of any Security Instrument Issuer or any Reserve Instrument Issuer, as appropriate, to exercise any right or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by this Article to the Trustee or to the Contracting Parties and the Holders of Bonds or, with respect to Repayment Obligations, to Security Instrument Issuers or Reserve Instrument Issuers, as appropriate, may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the Contracting Parties, the Holders of the Bonds, Security Instrument Issuers and Reserve Instrument Issuers.

Section 9.08. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Contracting Parties and the Holders of Bonds or, with respect to Repayment Obligations, to 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 hereunder 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, Contracting Parties 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 herein contained shall permit the levy of any attachment or execution upon any of the properties of the Issuer, nor shall any properties of the Issuer be subject to forfeiture by reason of any default hereunder, it being expressly understood and agreed by each and every Bondholder and Contracting Party by the acceptance of any Bond and Contract 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, Contracting Parties, 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.

ARTICLE X

DEPOSITS AND INVESTMENT OF FUNDS

Section 10.01. Deposits. (a) All moneys held by the Trustee under the provisions of the Resolution shall be deposited with the Trustee. All moneys held by the Issuer under the Resolution shall be deposited in one or more Fiduciaries in the name of the Issuer. All moneys deposited under the provisions of the Resolution with the Trustee or any Fiduciary shall be held in trust and applied only in accordance with the provisions of the Resolution, and each of the Funds established by the Resolution shall be a trust fund for the purposes thereof.

(b) Each Fiduciary shall be a bank or trust company organized under the laws of any state of the United States of America or a national banking association, having capital stock, undivided profits and surplus aggregating at least \$10,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to act in accordance with the provisions of the Resolution.

(c) All Revenues and other moneys held by any Fiduciary under the Resolution may be placed on demand or time deposit, if and as directed by the Issuer, *provided* that such deposits shall permit the moneys so held to be available for use at the time when needed. The Issuer and the Trustee shall not be liable for any loss or depreciation in value resulting from any investment made pursuant to the Resolution, *provided*, that this shall not affect or impair the requirements of Section 5.06 hereof. Any such deposit may be made in the commercial banking department of any Fiduciary which may honor checks and drafts on such deposit with the same force and effect as if it were not such Fiduciary. All moneys held by any Fiduciary, as such, may be deposited by such Fiduciary in its banking department on demand or, if and to the extent directed by the Issuer and acceptable to such Fiduciary, on time deposit, *provided* that such moneys on deposit be available for use at the time when needed. Such Fiduciary shall allow and credit on such moneys such interest, if any, as it customarily allows upon similar funds of similar size and under similar conditions or as required by law.

(d) All moneys deposited with the Trustee and each Fiduciary shall be credited to the particular Fund or Account to which such moneys belong; *provided, however*, nothing herein contained shall prohibit the Issuer from directing the Trustee or a Fiduciary by a Written Request of the Issuer to make inter-Fund or Account transfers of investments at the market value of the investments so transferred, as such market value shall be determined by the Issuer at the time of transfer and set forth in the Written Request. The Trustee shall be entitled to rely on the determination set forth in the Written Request.

Section 10.02. Investment of Funds. (a) Moneys held in any Fund or Account shall be invested and reinvested by the Issuer 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 Issuer;

(2) any Supplemental Resolution authorizing a Series of Bonds or a Contract may impose additional restrictions on moneys held in any Fund or Account; and

(3) any Supplemental Resolution authorizing a Series of Bonds or a Contract may authorize the investment of moneys to be held in the related Project Account, Series Subaccount in the Debt Service Account or Series Subaccount in the Debt Service Reserve Account in such other investments in lieu of or in addition to the Investment Securities as may be specified by the Supplemental Resolution.

(b) 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 and except as otherwise provided in a Supplemental Resolution establishing a Project Account or a Series Subaccount: (1) net income earned on any moneys or investments in the Construction Fund, the Revenue Fund and in each Series Subaccount in the Debt Service Account shall be retained in such Fund or Series Subaccount as the case may be; and (2) whenever the amount on deposit in any Series Subaccount in the Debt Service Reserve Account is equal to the applicable Debt Service Reserve Requirement, net income earned on any moneys or investments in such Series Subaccount shall be transferred to the Revenue Fund as provided in Section 5.08(c), otherwise, to be retained therein.

ARTICLE XI

DEFEASANCE

Section 11.01. Discharge of Indebtedness. (a) If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, subject to any limitations contained in a Supplemental Resolution with respect to a Series of Bonds or a Contract, to the Holders of all Bonds and to all Contracting Parties 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 Issuer to the Bondholders, Contracting Parties, Security Instrument Issuers and Reserve Instrument Issuers, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall cause an accounting for such period or periods as shall be requested by the Issuer to be prepared and filed with the Issuer and, upon the request of the Issuer, shall execute and deliver to the Issuer all such instruments as may be desirable to

evidence such discharge and satisfaction, and the Fiduciaries shall pay over or deliver to the Issuer all moneys or securities held by them pursuant to the Resolution which are not required for the payment of Principal or Redemption Price, if applicable, on Bonds and Contracts. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of any Outstanding Bonds and the Contracting Parties 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 and Contracts shall cease to be entitled to any lien, benefit or security under the Resolution, and all covenants, agreements and obligations of the Issuer to the Contracting Parties and the Holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

(b) Contracts or 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 Issuer 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 subsection (a) of this Section, unless otherwise provided in a Supplemental Resolution with respect to a Series of Bonds or a Contract. Subject to any further conditions 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 subsection (a) of this Section if (1) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Issuer shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail as provided in Article IV 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 Government Obligations 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, of 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 ninety (90) days, the Issuer 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 this Section 11.01(b) 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, of and the interest due and to become due on said Bonds. Neither Government Obligations nor moneys deposited with the Trustee pursuant to this Section 11.01(b) nor principal or interest payments on any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust solely and exclusively for, the payment of the Principal or Redemption Price, if applicable, of and interest on said Bonds; *provided* that any cash received from such principal or interest payments on such Government Obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Government Obligations 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 Issuer, as received by the Trustee, free and clear of any trust, lien or pledge.

Section 11.02. Unclaimed Moneys. Anything in the Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for four (4) years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for four (4) years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds become due and payable, shall, at the Written Request of the Issuer, be repaid by the Fiduciary to the Issuer, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Issuer for the payment of such Bonds; *provided, however*, that before being required to make any such payment to the Issuer, the Fiduciary shall, at the expense of the Issuer, cause to be published at least twice, at an interval of not less than seven (7) days between publications, in a Financial Newspaper or Journal of general circulation in New York, New York, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the Issuer.

ARTICLE XII

MISCELLANEOUS

Section 12.01. Limited Liability of Issuer. Notwithstanding anything in the Resolution contained, the Issuer shall not be required to advance any moneys derived from any source of income other than the Revenues and other moneys, securities and Funds pledged under the Resolution for the payment of the Principal or Redemption Price of or interest on the Bonds or Contracts, for Repayment Obligations or for the operation and maintenance of the System. Nevertheless, the Issuer may, but shall not be required to, advance for any of the purposes hereof any funds of the Issuer which may be available to it for such purposes.

Section 12.02. Benefits of Resolution Limited to Parties. Nothing in the Resolution, expressed or implied, is intended to give to any person other than the Issuer, the Trustee, any Paying Agent, any Transfer Agent, any Depositary, any Fiduciary, any Remarketing Agent, any Security Instrument Issuer, any Reserve Instrument Issuer, the Contracting Parties and the Holders of the Bonds, any right, remedy or claim under or by reason of the Resolution. Any covenants, stipulations, promises or agreements in the Resolution contained by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Trustee, the Paying Agents, any Transfer Agent, any Depositary, any Fiduciary, any Remarketing Agent, any Security Instrument Issuer, any Reserve Instrument Issuer, the Contracting Parties and the Holders of the Bonds.

Section 12.03. Successor is Deemed Included in All References to Predecessor. Whenever in the Resolution either the Issuer or the Trustee, any Transfer Agent, any Depositary, any Fiduciary, any Remarketing Agent, any Security Instrument Issuer, any Reserve Instrument Issuer, or any Paying Agent is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in the Resolution contained by or on behalf of the Issuer, the Trustee, any Transfer Agent, any Depositary, any

Fiduciary, any Remarketing Agent, any Security Instrument Issuer, any Reserve Instrument Issuer, or any Paying Agent shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 12.04. Execution of Documents by Bondholders. (a) Any request, declaration or other instrument which the Resolution may require or permit to be executed by Bondholders or Contracting Parties may be in one or more instruments of similar tenor, and shall be executed by Bondholders or Contracting Parties in person or by their attorneys appointed in writing.

(b) Except as otherwise expressly provided, the fact and date of the execution by any Bondholder, Contracting Party or his attorney of such request, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

(c) The ownership of Bonds and the amount, maturity, number and date of holding the same shall be proved by the Bond register.

(d) Any request, declaration or other instrument or writing of the Holder of any Bond shall bind all future Holders of such Bond in respect of anything done or suffered to be done by the Issuer or the Trustee in good faith and in accordance therewith or in reliance thereon.

Section 12.05. System of Registration. This Resolution shall constitute a system of registration within the meaning and for all purposes of the Registered Public Obligations Act, Chapter 7 of Title 15, Utah Code Annotated 1953, as amended.

Section 12.06. Plan of Financing. This Resolution shall constitute a plan of financing within the meaning and for all purposes of Section 11-14-14(3), Utah Code Annotated 1953, as amended.

Section 12.07. Waiver of Notice. Whenever in the Resolution the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice, and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 12.08. Cremation or Destruction of Canceled Bonds. Whenever in the Resolution provision is made for the surrender to the Issuer of any Bonds which have been paid or canceled pursuant to the provisions of the Resolution, the Issuer may, by a Written Request of the Issuer, direct the Trustee to cremate or destroy such Bonds and furnish to the Issuer a certificate of such cremation or destruction.

Section 12.09. Governing Law. The Resolution shall be governed by and construed in accordance with the laws of the State.

Section 12.10. Article and Section Headings. All references herein to "Articles", "Sections" and other subdivisions are to the corresponding articles, sections or subdivisions of the Resolution, and the words "hereby," "herein," "hereof," "hereunder" and other words of similar import refer to the Resolution as a whole and not to any particular article, section or subdivision hereof. The headings or titles of the several articles and sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of the Resolution.

Section 12.11. Partial Invalidity. If any one or more of the covenants or agreements, or portions thereof, provided in the Resolution to be performed shall be contrary to law, then such covenant or covenants, such agreement or agreements, or such portions thereof, shall be null and void and shall be deemed separable from the remaining covenants and agreements or portions thereof and shall in no way affect the validity of the Resolution, the Bonds or the Contracts; but the Bondholders, the Contracting Parties, any Security Instrument Issuer and any Reserve Instrument Issuer shall retain all the rights and benefits accorded to them under the Act or any other applicable provisions of law.

Section 12.12. Conflicting Resolutions: Effective Date. All Issuer resolutions or parts thereof in conflict herewith are, to the extent of such conflict, hereby repealed. This Resolution shall take effect and be in full force immediately upon its passage and approval.

ADOPTED AND APPROVED this 29th day of April, 2002.

METROPOLITAN WATER DISTRICT OF SALT
LAKE & SANDY

/s/ Frederick A. Moreton, Jr.
Chairman

ATTEST:

/s/ Genevieve Atwood
Secretary

[SEAL]

| BOARD MEMBER | VOTE |
|---------------------------|--------|
| Frederick A. Moreton, Jr. | Aye |
| Rodney M. Mills | Aye |
| Genevieve Atwood | Absent |
| Pat Comarell | Aye |
| Leland J. Myers | Absent |
| J. Steven Newton | Aye |
| Lon R. Richardson | Aye |

STATE OF UTAH)
)
COUNTY OF SALT LAKE)

I, Genevieve Atwood, the duly chosen, qualified and acting Secretary of the Metropolitan Water District of Salt Lake & Sandy (the "*District*"), do hereby certify that the foregoing resolution entitled "Master Resolution Providing for the Issuance of Water Revenue Bonds," was duly adopted by the Board of Trustees (the "*Governing Body*") at a special meeting held at the regular meeting place of the Governing Body, at 3430 East Danish Road, in Sandy, Utah, within the District, on April 29, 2002, and became effective as of said date, that said resolution has been compared by me with the original thereof, recorded in the minute book of the Issuer and that said resolution is a correct transcript of the whole thereof, and that said resolution has not been altered, amended or repealed but is in full force and effect.

IN WITNESS WHEREOF, I have hereunto subscribed my official signature and affixed the official seal of the Metropolitan Water District of Salt Lake & Sandy, this 29th day of April, 2002.

METROPOLITAN WATER DISTRICT OF SALT
LAKE & SANDY

/s/ Genevieve Atwood
Secretary

[SEAL]

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF CHAPMAN AND CUTLER LLP]

[TO BE DATED CLOSING DATE]

Re: \$ _____
Metropolitan Water District of Salt Lake & Sandy
Water Revenue Refunding Bonds,
Series 2012B

We hereby certify that we have examined certified copy of the proceedings of record of the Board of Trustees of the Metropolitan Water District of Salt Lake & Sandy (the “*District*”), including certified copy of the Master Resolution Providing for the Issuance of Water Revenue Bonds, adopted April 29, 2002, and the Supplemental Resolution, adopted January 23, 2012 (collectively, the “*Resolution*”), passed preliminary to the issuance by the District of its \$_____ aggregate principal amount of Water Revenue Refunding Bonds, Series 2012B (the “*Series 2012B Bonds*”), dated as of their date of original issuance and delivery, maturing on July 1 of each of the years and bearing interest as follows:

JULY 1
OF THE YEAR

AMOUNT
MATURING
\$

INTEREST
RATE
%

The Series 2012B Bonds are issuable as fully registered bonds in the denomination of \$5,000, or any integral multiple thereof.

The Series 2012B Bonds are being issued under the authority of Title 17B, Limited Purpose Entities – Local Districts, in particular Chapter 2a, Part 6, Utah Code Annotated 1953, as amended, and the Utah Refunding Bonding Act, Title 11, Chapter 27, Utah Code Annotated 1953, as amended (collectively the “Act”), (collectively, the “Act”) for the purpose of refunding certain outstanding bonds of the District, and paying costs of issuance of the Series 2012B Bonds.

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

Based on such examination, we are of the opinion that such proceedings show lawful authority for the issuance of the Series 2012B Bonds under the laws of the State of Utah now in force. It is further our opinion that:

(1) The District has the power under the Act to issue the Series 2012B Bonds and adopt the Resolution, and the Resolution has been duly and lawfully adopted by the District, is in full force and effect and is valid and binding upon the District and enforceable in accordance with its terms (except (i) as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement

of creditors' rights or usual equity principles in the event equitable remedies should be sought and (ii) to the extent that the obligations of the District under the Resolution are subject to the exercise in the future by the State of Utah and its governmental bodies of the police power inherent in the sovereignty of the State of Utah and to the exercise by the United States of America of the power delegated to it by the federal constitution), and no other authorization for the Resolution is required.

(2) The Resolution creates the valid pledge which it purports to create of the revenues, moneys, securities and funds held or set aside under the Resolution, subject to the application thereof to the purposes and on the conditions permitted by the Resolution.

(3) The Series 2012B Bonds are valid and special binding obligations of the District, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights or usual equity principles in the event equitable remedies should be sought) and the terms of the Resolution and are entitled to the benefits of the Resolution and the law or laws under which they are issued, and the Series 2012B Bonds have been duly and validly authorized and issued in accordance with law and the Resolution.

(4) The Resolution grants a valid lien on and pledge of the Revenues derived by the District from the operation and ownership of the System, subject to the application thereof to the purposes and on the conditions permitted by the Resolution (including the payment of operation and maintenance costs).

(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 Series 2012B Bonds have been complied with.

(6) Subject to the District's compliance with certain covenants, under present law, interest on the Series 2012B Bonds is excludable from gross income of the owners thereof for federal income tax purposes and 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, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such covenants could cause interest on the Series 2012B Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2012B Bonds. Ownership of the Series 2012B 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 2012B Bonds. In rendering our opinion on tax exemption, we have relied on the mathematical computation of the yield on the Series 2012B Bonds and the yield on certain investments by Grant Thornton LLP, Certified Public Accountants.

(7) Under the laws of the State of Utah, as presently enacted and construed, interest on the Series 2012B 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 Series 2012B Bonds.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

In rendering this opinion, we have relied upon certifications of the District with respect to certain material facts solely within the knowledge of the District. 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 D

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 Metropolitan Water District of Salt Lake & Sandy (the “*Issuer*”) in connection with the issuance of its \$_____ aggregate principal amount of Water Revenue Refunding Bonds, Series 2012B (the “*Bonds*”). The Bonds are being issued pursuant to a Master Resolution Providing for the Issuance of Water Conservancy Revenue Bonds, adopted April 29, 2002, as supplemented and amended, including by a Supplemental Resolution adopted January 23, 2012 (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.

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.

Reportable Event means the occurrence of any of the Events with respect to the Bonds set forth in *Exhibit II*.

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

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 Number of the Bonds are as follows:

JULY 1
OF THE YEAR

AMOUNT
MATURING
\$

CUSIP
NUMBER

The Final Official Statement relating to the Bonds is dated _____, 2012 (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. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports.

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. REPORTABLE EVENTS DISCLOSURE. Subject to Section 8 of this Agreement, the Issuer hereby covenants that it will disseminate in a timely manner (not in excess of ten business days after the occurrence of the Reportable Event) Reportable Events Disclosure 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. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports. 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 Reportable 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 Reportable 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 Reportable 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 Reportable 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 Reportable 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.

METROPOLITAN WATER DISTRICT OF SALT
LAKE & SANDY

By _____
Chair, Board of Trustees

Address: 3430 East Danish Road
Cottonwood Heights, Utah 84093-2102

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 tables in Appendix A of the Official Statement under the captions, “SUMMARY FINANCIAL INFORMATION,” and “HISTORICAL AND PROJECTED REVENUES AVAILABLE FOR DEBT SERVICE” (historical only), 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 principals. Audited Financial Statements will be submitted to EMMA within 30 days after availability to Issuer or, if later, by the date prescribed in the immediately preceding paragraph.

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 REPORTABLE EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults, if material
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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security
7. Modifications to the rights of security holders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the Issuer*
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material

* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.