

**NEW ISSUE—Issued in Book-Entry Only Form**

**RATINGS: Moody's "Aa2"  
S&P: "AA"  
See "RATINGS" herein.**

*In the opinion of Ballard Spahr LLP, Bond Counsel: (a) interest on the Series 2010A Bonds and the Series 2010C Bonds is not excludable from gross income for federal income tax purposes and (b) assuming continuing compliance with the requirements of the federal tax laws, interest on the Series 2010B Bonds is excludable from gross income for purposes of federal income tax, is exempt from individual and corporate federal alternative minimum tax and is not includable in adjusted current earnings for purposes of corporate AMT. Bond Counsel is further of the opinion that, under currently existing law, interest on the Series 2010 Bonds is exempt from State of Utah individual income taxes. See "TAX MATTERS."*

## STATE OF UTAH

<b>\$18,450,000</b>	<b>\$16,125,000</b>	<b>\$31,225,000</b>
<b>FEDERALLY TAXABLE</b>	<b>RECAPITALIZATION REVENUE BONDS</b>	<b>FEDERALLY TAXABLE</b>
<b>RECAPITALIZATION REVENUE BONDS</b>	<b>SERIES 2010B</b>	<b>RECAPITALIZATION REVENUE BONDS</b>
<b>SERIES 2010A</b>		<b>SERIES 2010C</b>
		<b>(ISSUER SUBSIDY—BUILD AMERICA BONDS)</b>

**DATED: Date of Delivery**

**DUE: July 1, as shown on the inside front cover**

The Series 2010 Bonds are issuable only as fully-registered bonds in book-entry only form without coupons and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York, which will act as securities depository of the Series 2010 Bonds. Principal of, and interest on, the Series 2010 Bonds (interest payable January 1 and July 1 of each year, commencing July 1, 2010) are payable by Wells Fargo Bank, N A., as Paying Agent, to the registered owners thereof, initially DTC. See "THE SERIES 2010 BONDS—Book-Entry Only System."

The Series 2010A Bonds and the Series 2010B Bonds are not subject to redemption prior to maturity. The Series 2010C Bonds are subject to redemption as described herein. See "THE SERIES 2010 BONDS—Redemption Provisions."

A portion of the proceeds of the Series 2010 Bonds will be used to acquire an interest in bonds, notes, contracts and other evidences of indebtedness, including, but not limited to, agreements, representing loans made by the Utah Board of Water Resources in order to provide the Board with funds to make additional loans under certain revolving loan programs administered by the Board.

The Series 2010 Bonds are limited obligations of the State, payable solely from the Revenues and secured by a pledge of the Pledged Loans and other funds and amounts pledged pursuant to the Indenture. Neither the faith and credit nor the taxing power of the State of Utah or any agency, instrumentality or political subdivision thereof is pledged for the payment of the principal of, premium, if any, or interest on the Series 2010 Bonds, nor shall such Series 2010 Bonds be general obligations of the State or any agency, instrumentality or political subdivision thereof. The issuance of the Series 2010 Bonds shall not directly, indirectly, or contingently obligate the State or any agency, instrumentality or political subdivision thereof to levy any form of taxation therefor. See "THE SERIES 2010 BONDS—Security for the Series 2010 Bonds."

The Series 2010 Bonds are offered when, as and if issued and received by the Underwriters, subject to the approving legal opinion of Ballard Spahr LLP, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the State by the Office of the Attorney General of the State, and for the Underwriters by Chapman and Cutler LLP. Zions Bank Public Finance has served as Financial Advisor to the State. It is expected that the Series 2010 Bonds, in book-entry only form, will be available for delivery through DTC or its agent on or about February 23, 2010.

*This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.*

**George K. Baum & Company**

**Wells Fargo Securities**

This Official Statement is dated February 10, 2010 and the information contained herein speaks only as of that date.

## MATURITY SCHEDULES

### STATE OF UTAH

**\$18,450,000**

#### FEDERALLY TAXABLE RECAPITALIZATION REVENUE BONDS SERIES 2010A

DUE JULY 1	PRINCIPAL AMOUNT	INTEREST RATE	YIELD	CUSIP <sup>†</sup>
2011	\$4,595,000	1.15%	1.15%	917535 AA4
2012	4,660,000	1.60	1.60	917535 AB2
2013	4,745,000	2.09	2.09	917535 AC0
2014	4,450,000	2.57	2.57	917535 AD8

**\$16,125,000**

#### RECAPITALIZATION REVENUE BONDS SERIES 2010B

DUE JULY 1	PRINCIPAL AMOUNT	INTEREST RATE	YIELD	CUSIP <sup>†</sup>
2014	\$ 410,000	4.00%	1.36%	917535 AE6
2015	1,300,000	2.25	1.78	917535 AF3
2015	3,725,000	5.00	1.78	917535 AP1
2016	1,075,000	2.50	2.18	917535 AG1
2016	4,160,000	4.00	2.18	917535 AQ9
2017	940,000	2.75	2.49	917535 AH9
2017	4,515,000	5.00	2.49	917535 AR7

**\$31,225,000**

#### FEDERALLY TAXABLE RECAPITALIZATION REVENUE BONDS SERIES 2010C (ISSUER SUBSIDY-BUILD AMERICA BONDS)

DUE JULY 1	PRINCIPAL AMOUNT	INTEREST RATE	YIELD	CUSIP <sup>†</sup>
2018	\$5,705,000	4.19%	4.19%	917535 AJ5
2019	5,955,000	4.34	4.34	917535 AK2
2020	6,220,000	4.49	4.49	917535 AL0
2021	6,515,000	4.64	4.64	917535 AM8
2022	6,830,000	4.79	4.79	917535 AN6

<sup>†</sup> The CUSIP identification numbers are provided on the inside cover page of this Official Statement and are being provided solely for the convenience of bondholders only, and the State does not make any representation with respect to such numbers or undertake any responsibility for their accuracy. The CUSIP numbers are subject to being changed after the issuance of the Series 2010 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2010 Bonds.

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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 2010 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained herein, and if given or made, such other information or representations must not be relied upon as having been authorized by either the State or the Underwriters. All information contained herein has been obtained from the State, DTC and from other sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor the issuance, sale, delivery or exchange of the Series 2010 Bonds, shall under any circumstance create any implication that there has been no change in the affairs of the State since the date hereof.

The Series 2010 Bonds have not been registered under the Securities Act of 1933, as amended, or any state securities laws in reliance upon exemptions contained in such act and laws. Any registration or qualification of the Series 2010 Bonds in accordance with applicable provisions of the securities laws of the states in which the Series 2010 Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the Securities and Exchange Commission nor any state securities commission has passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is unlawful.

The yields at which the Series 2010 Bonds are offered to the public may vary from the initial offering yields on the inside cover page of this Official Statement. In addition, the Underwriters may allow concessions or discounts from the initial offering prices of the Series 2010 Bonds to dealers and others. In connection with the offering of the Series 2010 Bonds, the Underwriters may engage in transactions that stabilize, maintain, or otherwise affect the price of the Series 2010 Bonds. Such transactions may include overallocments in connection with the purchase of Series 2010 Bonds, the purchase of Series 2010 Bonds to stabilize their market price and the purchase of Series 2010 Bonds to cover Underwriters' short positions. Such transactions, if commenced, may be discontinued at any time.

***The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their 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.***

*Cautionary Statements Regarding Forward-Looking Statements.* Certain statements included in this Official Statement constitute "forward-looking statements" within the meaning of the federal securities laws. Such statements are generally identifiable by the terminology used, such as "plan," "project," "forecast," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except as required by its Continuing Disclosure Undertaking for the Series 2010 Bonds, the State does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, change or events, conditions or circumstances on which such statements are based, occur.

The information available at the internet sites referenced in this Official Statement has not been reviewed for accuracy or completeness. Such information is not incorporated by reference into this Official Statement and may not be relied upon by investors in determining whether to purchase the Series 2010 Bonds and is not a part of this Official Statement.

**OFFICIAL STATEMENT RELATED TO**

**STATE OF UTAH**

**\$18,450,000**  
**FEDERALLY TAXABLE**  
**RECAPITALIZATION REVENUE BONDS**  
**SERIES 2010A**

**\$16,125,000**  
**RECAPITALIZATION REVENUE BONDS**  
**SERIES 2010B**

**\$31,225,000**  
**FEDERALLY TAXABLE**  
**RECAPITALIZATION REVENUE BONDS**  
**SERIES 2010C**  
**(ISSUER SUBSIDY–BUILD AMERICA BONDS)**

**INTRODUCTION**

This Official Statement, including the cover page, introduction and Appendices, provides information in connection with the issuance and sale by the State of Utah (the “*State*”) of its (a) \$18,450,000 Federally Taxable Recapitalization Revenue Bonds, Series 2010A (the “*Series 2010A Bonds*”), (b) \$16,125,000 Recapitalization Revenue Bonds, Series 2010B (the “*Series 2010B Bonds*”) and (c) \$31,225,000 Federally Taxable Recapitalization Revenue Bonds, Series 2010C (Issuer Subsidy–Build America Bonds) (the “*Series 2010C Bonds*” and, collectively with the Series 2010A Bonds and the Series 2010B Bonds, the “*Series 2010 Bonds*”).

The Series 2010 Bonds are being issued by the State pursuant to (a) the State Financing Consolidation Act, Title 63B, Chapter 1b, Utah Code Annotated 1953, as amended (the “*Act*”), (b) resolutions adopted by the State Bonding Commission (the “*Commission*”) on September 29, 2009, and on February 10, 2010 (collectively, the “*Resolutions*”), and (c) a General Indenture of Trust, dated as of February 1, 2010 (the “*General Indenture*”), as amended and supplemented by a First Supplemental Indenture of Trust, dated as of February 1, 2010 (the “*First Supplemental Indenture*” and, collectively with the General Indenture, the “*Indenture*”), each between the State and Wells Fargo Bank, N.A., as trustee (the “*Trustee*”). The Series 2010 Bonds and any additional bonds hereafter issued under the Indenture (the “*Additional Bonds*”) are referred to collectively herein as the “*Bonds*.”

Pursuant to the Act, the Commission will use a portion of proceeds of the Series 2010 Bonds to acquire an interest in bonds, notes, contracts and other evidences of indebtedness, including, but not limited to, agreements (the “*Agency Bonds*”), representing loans made by the Utah Board of Water Resources (the “*Board*”) in order provide the Board with funds to make additional loans under certain revolving loan programs administered by the Board. See “THE STATE REVOLVING FUND RECAPITALIZATION PROGRAM” and “THE STATE OF UTAH–Utah Board of Water Resources” below.

The proceeds of the Series 2010 Bonds will also be used (a) to provide for the funding of the Series 2010 Debt Service Reserve Account in the Debt Service Reserve Fund (the “*Series 2010 Debt Service Reserve Account*”) which is to be held by the Trustee, as security for payment of the principal of, premium, if any, and interest on the Series 2010 Bonds and (b) to pay the cost of issuance of the Series 2010 Bonds. See “THE SERIES 2010 BONDS–Estimated Sources and Uses of Funds” below.

This introduction is only a brief description of the Series 2010 Bonds, as hereinafter defined, the security and source of payment for the Series 2010 Bonds and certain information regarding the State. The information contained herein is expressly qualified by reference to the entire Official Statement. Investors must make a full review of the entire Official Statement as well as of the documents summarized or described herein. Capitalized terms used herein and not otherwise defined are defined in “APPENDIX B–SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE–Definitions” below.

See also the following APPENDICES attached hereto: “APPENDIX A–PLEDGED LOANS,” “APPENDIX B–SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE,” “APPENDIX C–FORM OF OPINION OF BOND COUNSEL,” “APPENDIX D–FORM OF CONTINUING DISCLOSURE UNDERTAKING” and “APPENDIX E–BOOK-ENTRY SYSTEM.”

## SECURITY

***Pledged Loans.*** The Series 2010 Bonds will be payable by the State solely from and secured by a pledge of (a) all income, revenues, issues, profits and other sums of money derived under or with respect to those Agency Bonds pledged under the Indenture to the payment of the Series 2010 Bonds, including any Substitute Pledged Loans (defined below), but excluding any Released Loans (the “*Pledged Loans*”) and the interest subsidy payments, if any, received by the State from the Internal Revenue Service (the “*Service*”) pursuant to Section 6431 of the Internal Revenue Code of 1986, as amended (the “*Code*”), or other similar programs (collectively, the “*Revenues*”); (b) the Pledged Loans; (c) all moneys in the funds and accounts held by the Trustee under the Indenture (except the Rebate Fund) and (d) all other rights granted by the Indenture.

Pledged Loans may be released from the lien and pledge of the Indenture and replaced with Substitute Pledged Loans. Upon such a release of Pledged Loans and substitution of Substitute Pledged Loans, the lien and pledge made pursuant to the Indenture shall pertain only to those Pledged Loans not released and the Substitute Pledged Loans, and the Substitute Pledged Loans shall thereafter be deemed to be Pledged Loans under the Indenture. Under certain circumstances, the State and the Board are required, to the extent available and legally permissible, to deliver Substitute Pledged Loans. “*Substitute Pledged Loans*” means any bonds, notes, contracts and other evidences of indebtedness of any Qualifying Entity delivered to the Trustee by the Board (on behalf of the State) in substitution for any Pledged Loans. See “THE SERIES 2010 BONDS–Security for the Series 2010 Bonds” and “PLEDGED LOANS” below.

The Pledged Loans consist of Agency Bonds of 53 different entities. The Pledged Loans were made by the Board at various time between 1979 and 2009. The State reports that the borrower under each of the Pledged Loans is currently in compliance with its repayment obligations. APPENDIX A includes a schedule of the Pledged Loans and additional information regarding the total pool of Pledged Loans. See “PLEDGED LOANS,” “STATE OF UTAH–Utah Board of Water Resources” and “APPENDIX A–PLEDGED LOANS” below.

***Reserve Account; Request for State Appropriation to Fund Deficiencies.*** The Indenture creates a single Series 2010 Debt Service Reserve Account, moneys in which are to be used to make up any deficiencies in the Bond Fund relating to all of the Series 2010 Bonds. The Debt Service Reserve Requirement for the Series 2010 Bonds shall be an amount equal to the maximum annual debt service on the Series 2010 Bonds (the “*Series 2010 Debt Service Reserve Requirement*”). If the moneys and investments on deposit in the Series 2010 Debt Service Reserve Account are less than the Series 2010 Debt Service Reserve Requirement, the Utah State Treasurer (the “*State Treasurer*”), not later than the first day of December in each year, is required, pursuant to the Indenture, to deliver to the Governor of the State (the “*Governor*”) and the Director of the Division of Finance a certificate setting forth the amount required to be deposited into the Series 2010 Debt Service Reserve Account to cause the amount in such account to equal the Series 2010 Debt Service Reserve Requirement. The Governor may then, but is not required to, request from the Legislature of the State (the “*Legislature*”) an appropriation of such amount. The Legislature may, but is under no legal obligation to, appropriate moneys for such purpose. See “THE SERIES 2010 BONDS–Security for the Series 2010 Bonds–*Series 2010 Debt Service Reserve Account*” below.

***Special and Limited Obligations.*** The Series 2010 Bonds are special, limited obligations of the State, payable by the State solely from the Revenues and secured by the pledge of the Pledged Loans and such funds and accounts held by the Trustee as described in this Official Statement. Neither the faith and credit nor the taxing power of the State or any agency, instrumentality or political subdivision thereof is pledged for the payment of the principal of, premium, if any, or interest on the Series 2010 Bonds, nor shall such Series 2010 Bonds be general obligations of the State or any agency, instrumentality or political subdivision thereof. The issuance of the Series 2010 Bonds shall not directly, indirectly, or contingently obligate the State or any agency, instrumentality or political subdivision thereof to levy any form of taxation therefore or to make any appropriation for their payment. The Indenture does not pledge any State properties other than the Pledged Loans.

#### ADDITIONAL BONDS

The Indenture permits the issuance of additional bonds secured by the Revenues and Pledged Loans, but requires that the State provide certificates relating to certain conditions to the issuance of Additional Bonds (as defined below). Included in these conditions is the requirement that, under certain circumstances, a Cash Flow Statement (as defined below) is delivered to the Trustee. See “THE SERIES 2010 BONDS–Security for the Series 2010 Bonds–*Additional Bonds*” herein.

“*Cash Flow Statement*” means a statement by an Authorized Representative or a financial advisor or underwriter acting on behalf of the State:

- (a) setting forth, for the then-current and each future Bond Fund Year during which Bonds will be outstanding, and taking into account:

(i) any Bonds expected to mature or be issued or redeemed or purchased for cancellation in each such Bond Fund Year upon or in connection with the filing of such Statement;

(ii) any Repayment Obligations expected to be incurred upon or in connection with the filing of such Statement;

(iii) the interest rate, purchase price, discount points and other terms of all Pledged Loans;

(iv) the application, withdrawal or transfer of any moneys expected to be applied, withdrawn or transferred upon or in connection with the filing of such statement;

(v) the amount of repayments expected to be received by the State in each Bond Fund Year from Pledged Loans, together with related investment Revenues and other Revenues and moneys (including without limitation moneys in any special escrows established with the Trustee but not including any Direct Payments) that are reasonably expected to be available to pay Debt Service; and

(vi) the Aggregate Annual Debt Service Requirement on all Bonds and Repayment Obligations reasonably expected to be outstanding; and

(b) showing that in each Bond Fund Year (i) the aggregate of the amounts set forth in clause (a)(v) of this definition exceeds 125% of the aggregate of the amounts set forth in clause (a)(vi) of this definition and (ii) the principal amount of Pledged Loans exceeds 200% of the principal amount of Bonds to be outstanding.

#### REDEMPTION PROVISIONS

The Series 2010A Bonds and the Series 2010B Bonds are not subject to redemption prior to maturity. The Series 2010C Bonds are subject to optional and extraordinary optional redemption prior to maturity. See “THE SERIES 2010 BONDS–Redemption Provisions” below.

#### REGISTRATION, DENOMINATIONS, MANNER OF PAYMENT

The Series 2010 Bonds are issuable only as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository of the Series 2010 Bonds. Purchases of Series 2010 Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any whole multiple thereof, through brokers and dealers who are, or who act through, DTC participants.

Principal of and interest on the Series 2010 Bonds (interest payable January 1 and July 1 of each year (each an “*Interest Payment Date*”), commencing July 1, 2010) are payable by Wells Fargo Bank, N.A., as Paying Agent, to DTC. See “THE SERIES 2010 BONDS–Book-Entry Only System” below.

#### TRANSFER OR EXCHANGE

No transfer or exchange of any Series 2010 Bond will be made (a) during the period from and including the fifteenth day immediately preceding each Interest Payment Date (the “*Regular Record Date*”) to and including the next succeeding Interest Payment Date, (b) during the period from and including the day fifteen days prior to any date as may be fixed for the payment of defaulted interest on the Bonds in accordance with the Indenture (the “*Special Record Date*”), to and including the date of the proposed payment pertaining thereto, (c) during the period from and including the day fifteen days prior to the mailing of notice calling any Bonds for redemption, to and including the date of such mailing, or (d) at any time following the mailing of notice calling such Bond for redemption.

#### TAX STATUS

***The Series 2010A Bonds and the Series 2010C Bonds.*** In the opinion of Ballard Spahr LLP, Bond Counsel to the State, interest on the Series 2010A Bonds and the Series 2010C Bonds (collectively, the “*Federally Taxable Bonds*”) is not excludable from gross income for federal income tax purposes. Bond Counsel is also of the opinion that, under currently existing law, interest on the Federally Taxable Bonds is exempt from State of Utah individual income taxes.

***The Series 2010B Bonds.*** In the opinion of Bond Counsel, interest on the Series 2010B Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Series 2010B Bonds, assuming the accuracy of the certifications of the State and continuing compliance by the State with the requirements of the Internal Revenue Code of 1986 (the “*Code*”). Interest on the Series 2010B Bonds is exempt from individual and corporate federal alternative minimum tax (“*AMT*”) and is not includable in adjusted current earnings for purposes of corporate AMT. Bond Counsel is also of the opinion that, under currently existing laws, interest on the Series 2010B Bonds is exempt from State of Utah individual income taxes.

***No Further Opinion.*** Bond Counsel expresses no opinion regarding any other tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the Series 2010 Bonds.

See “TAX MATTERS” below for a more complete discussion.

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

The Series 2010 Bonds are offered in book-entry form only when, as and if issued and received by George K. Baum & Company, as Senior Manager, and Wells Fargo Securities<sup>1</sup>, as Co-Manager (collectively, the “*Underwriters*”), subject to the approval of legality by Ballard Spahr LLP, Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the State by the Office of the Attorney General of the State. Certain legal matters will be passed on for the Underwriters by Chapman and Cutler LLP. It is expected that the Series 2010 Bonds, in book-entry form, will be available for delivery in New York, New York for deposit with DTC on February 23, 2010.

## CONTINUING DISCLOSURE

The State will enter into a Continuing Disclosure Undertaking (the “*Undertaking*”) for the benefit of the Owners of the Series 2010 Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board pursuant to the provisions of paragraph (b)(5) of Rule 15c2-12 (the “*Rule*”) promulgated by the Securities and Exchange Commission pursuant to 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 other terms of the Undertaking, including termination, amendment and remedies, are set forth in the proposed form of Undertaking in “APPENDIX D–FORM OF CONTINUING DISCLOSURE UNDERTAKING.” The State has determined that it will be the only obligated person under the Rule.

*The State has complied in all material respects with each undertaking previously entered into by it pursuant to the Rule.* A failure by the State to comply with the Undertaking will not constitute a default under the Indenture and owners of the Series 2010 Bonds are limited to the remedies provided in the Undertaking. See “APPENDIX D–FORM OF CONTINUING DISCLOSURE UNDERTAKING–Consequences of Failure of the State to Provide Information.” A failure by the State to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2010 Bonds in the secondary market. Any such failure may adversely affect the marketability of the Series 2010 Bonds.

## BASIC DOCUMENTATION

The basic documentation, which includes the Resolutions, the Indenture and other documentation authorizing the issuance of the Series 2010 Bonds and establishing the rights and responsibilities of the State, the Trustee, the investors and other parties to the transaction, may be obtained from the contact person as indicated below. Also see “APPENDIX B–SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” below.

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<sup>1</sup> Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wachovia Bank, National Association.

## CONTACT PERSON

The chief contact person for the State concerning the Series 2010 Bonds is:

Richard K. Ellis, Utah State Treasurer  
and Secretary of the State Bonding Commission  
rellis@utah.gov

Utah State Treasurer's Office  
State Capitol Complex  
350 North State Street, Suite C-180  
(P.O. Box 142315)  
Salt Lake City, Utah 84114-2315  
801-538-1042  
801-538-1465 (fax)

## **THE SERIES 2010 BONDS**

### GENERAL

The Series 2010 Bonds will be dated the date of delivery thereof and will mature on July 1 of the years and in the amounts as set forth on the inside cover page of this Official Statement.

The Series 2010 Bonds bear interest from their date at the rates set forth on the inside cover page of this Official Statement. Interest on the Series 2010 Bonds is payable on July 1, 2010 and semiannually thereafter on each January 1 and July 1. Interest on the Series 2010 Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Wells Fargo Bank, N.A., Salt Lake City, Utah, is Trustee, Paying Agent and Registrar with respect to the Series 2010 Bonds.

The Series 2010 Bonds will be issued as fully registered bonds, initially in book-entry only form, in the denomination of \$5,000 or any whole multiple thereof, not exceeding the amount of each maturity.

## ESTIMATED SOURCES AND USES OF FUNDS

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

SOURCES:	SERIES 2010A	SERIES 2010B	SERIES 2010C	TOTAL
Par amount	\$18,450,000	\$16,125,000	\$31,225,000	\$65,800,000
Original Issue Premium	<u>          -</u>	<u>  1,927,491</u>	<u>          -</u>	<u>  1,927,491</u>
TOTAL	<u>\$18,450,000</u>	<u>\$18,052,491</u>	<u>\$31,225,000</u>	<u>\$67,727,491</u>
USES:				
Deposit to the Pledged Loan Account	\$16,000,000	\$16,255,000	\$27,745,000	\$60,000,000
Series 2010 Debt Service Reserve Account	2,258,808	1,612,500	3,122,500	6,993,808
Costs of Issuance <sup>(1)</sup>	<u>  191,192</u>	<u>  184,991</u>	<u>  357,500</u>	<u>  733,683</u>
TOTAL	<u>\$18,450,000</u>	<u>\$18,052,491</u>	<u>\$31,225,000</u>	<u>\$67,727,491</u>

(1) Costs of issuance includes underwriters' discount, rating agency fees, legal fees, financial advisor fees, Trustee fees, printing, other miscellaneous expenses and rounding amount.

## SECURITY FOR THE SERIES 2010 BONDS

***The Pledge Under the Indenture.*** Pursuant to the Indenture there are pledged for the payment of the principal of and premium, if any, and interest on the Series 2010 Bonds in accordance with their terms and the provisions of the Indenture, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture:

- (a) the Revenues;
- (b) the Pledged Loans, including, but not limited to:
  - (i) all extensions, renewals and amendments of any of the terms of the Pledged Loans;
  - (ii) the present and continuing right to make claim for, collect, receive and receipt for all payments of principal, interest and other sums payable to or receivable by the State under or due to its ownership of any interest in the Pledged Loans, whether payable pursuant to the Pledged Loans or otherwise;
  - (iii) all rights to bring actions and proceedings under the Pledged Loans or for the enforcement thereof; and

(iv) all rights to do any and all things that the State is or may become entitled to do under or due to its ownership of the Pledged Loans;

(c) all moneys in funds and accounts held by the Trustee under the Indenture (except the Rebate Fund); and

(d) all other rights granted in the Indenture.

The Series 2010 Bonds are limited and special obligations of the State payable by the State solely from Revenues received by the State from the Pledged Loans and paid to the Trustee or its duly designated agent, and are secured by the pledge made under the Indenture as described in the preceding paragraph. Neither the State (except to the extent described above) nor any political subdivision of the State (including the Board) is obligated to pay the Series 2010 Bonds, and neither the faith and credit nor the taxing power of the State or any agency, instrumentality or political subdivision thereof (including the Board) is pledged to the payment of principal of, or premium, if any, or interest on, the Series 2010 Bonds. The Series 2010 Bonds and interest thereon do not constitute nor give rise to a general obligation or liability of the State or a charge against its general credit or taxing powers, and the Series 2010 Bonds do not constitute a debt of the State within the meaning of any State constitutional restriction or statutory limitation.

***Series 2010 Debt Service Reserve Account.*** Upon the initial delivery of the Series 2010 Bonds there will be deposited into the Series 2010 Debt Service Reserve Account established under the Indenture from the proceeds of the Series 2010 Bonds an amount equal to the Series 2010 Debt Service Reserve Requirement. If at any time any principal of or interest on any of the Series 2010 Bonds has become due and payable and payment thereof in full has not been made or provided for, the Trustee will immediately withdraw from the Series 2010 Debt Service Reserve Account an amount not exceeding the amount required to provide for such payment in full and apply the amount so withdrawn to such payment. For purposes of the Series 2010 Debt Service Reserve Account and the Series 2010 Debt Service Reserve Requirement, the Series 2010A Bonds, the Series 2010B Bonds and the Series 2010C Bonds are treated as a single series of bonds.

If the moneys and investments on deposit in the Series 2010 Debt Service Reserve Account are less than the Series 2010 Debt Service Reserve Requirement (whether as a result of a withdrawal or a reduction in value of the investments therein), the State Treasurer, not later than the first day of December in each year, is required, pursuant to the Indenture, to deliver to the Governor and the Director of the Division of Finance a certificate setting forth the amount required to be deposited into the Series 2010 Debt Service Reserve Account to cause the amount in such account to equal the Series 2010 Debt Service Reserve Requirement. The Governor may request from the Legislature an appropriation of the amount so certified to restore the Series 2010 Debt Service Reserve Account to the Series 2010 Debt Service Reserve Requirement. Any moneys appropriated by the Legislature pursuant to such certificate and request will be deposited into the Series 2010 Debt Service Reserve Account by the State Treasurer as soon as possible after such appropriated moneys or other funds are received by the State Treasurer and are available for deposit.

The Governor is not obligated to request such appropriation from the Legislature and the Legislature is under no legal obligation to appropriate any money to replenish the Series 2010 Debt Service Reserve Account as certified by the State Treasurer and requested by the Governor.

If the amount on deposit in the Series 2010 Debt Service Reserve Account is greater than the maximum annual aggregate debt service for the Series 2010 Bonds then outstanding, such amount may be released from the Series 2010 Debt Service Reserve Account and transferred to the Bond Fund as provided in the Indenture.

**Additional Bonds.** Whenever the State determines to issue any Additional Bonds under the Indenture, the following requirements must be met:

(a) No Event of Default has occurred and is continuing under the Indenture on the date of authentication of any Additional Bonds; *provided, however*, Additional Bonds may also be issued if the issuance of such Additional Bonds otherwise complies with the provisions of the Indenture and the Event of Default will cease to continue upon the issuance of Additional Bonds and the application of the proceeds thereof.

(b) A Cash Flow Statement is delivered to the Trustee.

(c) All payments required by the Indenture to be made into the Bond Fund have been made in full, and there is on deposit in each account of the Debt Service Reserve Fund (taking into account any Reserve Instrument coverage) the full amount required to be accumulated therein at the time of issuance of the Additional Bonds.

#### DESIGNATION OF SERIES 2010C BONDS AS “QUALIFIED BUILD AMERICA BONDS”

The State intends to irrevocably elect to treat the Series 2010C Bonds as Build America Bonds that are “qualified bonds” for purposes of the American Recovery and Reinvestment Act of 2009 (the “*Recovery Act*”) and will apply to receive a cash subsidy from the United States Treasury in connection therewith. See “TAX MATTERS” below.

#### REDEMPTION PROVISIONS

**Series 2010A Bonds and Series 2010B Bonds.** The Series 2010A Bonds and the Series 2010B Bonds are not subject to redemption prior to maturity.

**Series 2010C Bonds. Optional Par Call Redemption.** The Series 2010C Bonds maturing on or before July 1, 2019 are not subject to redemption prior to maturity. The Series 2010C Bonds maturing on or after July 1, 2020, are subject to redemption at the option of the State, at any time on or after July 1, 2019, in whole or in part, from such maturities or parts thereof selected by the State and by lot within each maturity, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption.

**Extraordinary Optional Redemption.** The Series 2010C Bonds are also subject to redemption prior to maturity upon the occurrence of an Extraordinary Event (as defined below).

Prior to July 1, 2019, the Series 2010C Bonds are subject to redemption prior to their maturity at the option of the State, in whole or in part, upon the occurrence of an Extraordinary Event, at a redemption price (the “*Extraordinary Optional Redemption Price*”) equal to the greater of (i) 100% of the principal amount of the Series 2010C Bonds to be redeemed; or (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the Series 2010C Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010C Bonds are to be redeemed, discounted to the date on which the Series 2010C Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of 12, 30-day months, at the Treasury Rate, plus 100 basis points; *plus*, in each case, accrued interest on the Series 2010C Bonds to be redeemed to the redemption date.

An “*Extraordinary Event*” will have occurred if a material adverse change has occurred to Section 54AA or 6431 of the Code (as such Sections were added by Section 1531 of the Recovery Act, pertaining to build America bonds) pursuant to which the State’s 35% cash subsidy payment from the United States Treasury is reduced or eliminated. At the request of the Trustee, the redemption price of the Series 2010C Bonds to be redeemed at the option of the State will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the State at the State’s expense to calculate such redemption price. The Trustee and the State may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

For purposes of determining the Extraordinary Optional Redemption Price, the definitions under “Optional Make-Whole Redemption” apply.

***Notice of Redemption; Deposit of Moneys.*** Notice of the call for any redemption must be given by the Registrar by first class mail, postage prepaid, at least 30 days and not more than 60 days prior to the date fixed for redemption to the registered owner of each Series 2010 Bond at the address shown on the registration books and the Registrar; *provided, however*, that failure to receive such notice will not affect the validity of the proceedings for the redemption of the Series 2010 Bonds.

Any notice mailed as described herein will be conclusively presumed to have been duly given, whether or not the registered owner receives the notice. Each notice of redemption must state:

- (a) the complete official name of the Series 2010 Bonds to be redeemed, the identification numbers of such Series 2010 Bonds and the CUSIP numbers, if any, of the Series 2010 Bonds being redeemed; *provided* that any such notice shall state that no representation is made as to the correctness of CUSIP numbers either as printed on such Series 2010 Bonds or as contained in the notice of redemption and that reliance may be placed only on the identification numbers contained in the notice or printed on such Series 2010 Bonds;

(b) any other descriptive information needed to identify accurately the Series 2010 Bonds being redeemed, including, but not limited to, the original issue date of, and interest rate on, such Series 2010 Bonds;

(c) in the case of partial redemption of any Series 2010 Bonds, the respective principal amounts thereof to be redeemed;

(d) the date of mailing of redemption notices and the redemption date;

(e) the redemption price;

(f) that on the redemption date the redemption price will become due and payable upon each such Series 2010 Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after the redemption date; and

(g) the place where such Series 2010 Bonds are to be surrendered for payment, designating the name and address of the redemption agent with the name of a contact person and telephone number.

If at the time of mailing of notice of optional redemption as provided above there has not been deposited with the Trustee moneys sufficient to redeem all Series 2010 Bonds called for redemption, such notice must state that such redemption is conditioned upon receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, and interest on, the Series 2010 Bonds to be redeemed and that if such moneys are not received such notice will be of no force and effect and the Issuer is not required to redeem such Bonds. In the event that such moneys are not so received, the redemption will not be made and the Trustee will within a reasonable time thereafter give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received.

The principal of the Series 2010 Bonds called for redemption ceases to bear interest after the specified redemption date, provided that sufficient funds for redemption are on deposit with the Trustee at that time.

***Partial Redemption of a Series 2010C Bond.*** If fewer than all of the Series 2010C Bonds are to be redeemed, the State shall direct the maturities to be selected for redemption. If less than all of the Series 2010C Bonds of any maturity are to be redeemed prior to maturity, (a) if the Series 2010C Bonds are in book-entry form at the time of such redemption, the Paying Agent shall instruct DTC to instruct the DTC Participants to select the specific Series 2010C Bonds for redemption pro rata, and neither the State nor the Paying Agent shall have any responsibility to insure that DTC or its Participants properly select such Series 2010C Bonds for redemption, and (b) if the Series 2010C Bonds are not then in book-entry form at the time of such redemption, on each redemption date, the Paying Agent shall select the specific Series 2010C Bonds for redemption for pro rata. The portion of any registered Series 2010C Bond of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or any whole multiple thereof, and in selecting portions of such Series 2010C Bonds for redemption, the Paying Agent will treat each such Series 2010C Bond as representing that

number of Series 2010C Bonds of \$5,000 denomination that is obtained by dividing the principal amount of such Series 2010C Bonds by \$5,000.

#### PAYMENT OF PRINCIPAL AND INTEREST

The principal of and premium, if any, on the Series 2010 Bonds will be paid upon presentation and surrender of such Series 2010 Bonds at the principal corporate trust office of the Trustee as Paying Agent. Interest on the Series 2010 Bonds will be paid to the person appearing on the bond registration books of the Registrar as of the 15<sup>th</sup> day immediately preceding each Interest Payment Date as the registered owner thereof by check or draft mailed on the Interest Payment Date to the registered owner at the registered owner's address as it appears on such registration books or to owners of \$1,000,000 or more in aggregate principal amount of Series 2010 Bonds by wire transfer to a bank account designated by the registered owner in written instructions furnished to the Trustee no later than the Regular Record Date for such payment. The State, the Registrar, the Paying Agent and the Trustee may treat and consider the person in whose name each Series 2010 Bond is registered as the holder and absolute owner of such Series 2010 Bond for all purposes and shall not be affected by any notice to the contrary.

Each Series 2010 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless it is authenticated as of an Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or unless it is authenticated prior to the first Interest Payment Date, in which event it shall bear interest from its dated date or unless, as shown by the records of the Trustee, interest thereon is in default, in which event it will bear interest from the date to which interest has been paid in full, or unless no interest has been paid thereon, in which event it will bear interest from its dated date. Interest accrued on each Series 2010 Bond will be paid on each Interest Payment Date and computed on the basis of a year of 360 days and twelve 30-day months.

Any interest not punctually paid or duly provided for will forthwith cease to be payable to the registered owner of any Series 2010 Bond on such Regular Record Date, and may be paid to the person who is the registered owner thereof at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice of such Special Record Date to be given to such registered owner not less than 10 days prior to such Special Record Date.

#### BOOK-ENTRY ONLY SYSTEM

The Series 2010 Bonds originally will be issued solely in book-entry form to DTC or its nominee, Cede & Co., to be held in DTC's book-entry only system. So long as such Series 2010 Bonds are held in the book-entry only system, DTC or its nominee will be the registered owner of such Series 2010 Bonds for all purposes of the Indenture, the Series 2010 Bonds and this Official Statement.

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

and delivered and will be governed by the provisions of the Indenture with respect to payment of principal and interest and rights of exchange and transfer.

The State cannot and does not give any assurances that DTC participants or others will distribute payments with respect to the Series 2010 Bonds received by DTC or its nominee as the registered owner, or any prepayment or other notices, to the beneficial owners, or that they will do so on a timely basis, or that DTC will service and act in the manner described in this Official Statement.

For a description of DTC's book-entry only system, see "APPENDIX E-BOOK-ENTRY SYSTEM."

DEBT SERVICE ON THE SERIES 2010 BONDS

YEAR ENDING JUNE 30	SERIES 2010A BONDS		SERIES 2010B BONDS		SERIES 2010C BONDS		FISCAL YEAR TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2011	\$ -	\$ 291,691	\$ -	\$ 579,019	\$ -	\$ 1,203,097	\$ 2,073,807
2012	4,595,000	314,517	-	676,775	-	1,406,218	6,992,510
2013	4,660,000	250,815	-	676,775	-	1,406,217	6,993,807
2014	4,745,000	163,950	-	676,775	-	1,406,218	6,991,943
2015	4,450,000	57,183	410,000	668,575	-	1,406,217	6,991,975
2016	-	-	5,025,000	552,625	-	1,406,218	6,983,843
2017	-	-	5,235,000	348,237	-	1,406,217	6,989,454
2018	-	-	5,455,000	125,800	-	1,406,218	6,987,018
2019	-	-	-	-	5,705,000	1,286,698	6,991,698
2020	-	-	-	-	5,955,000	1,037,954	6,992,954
2021	-	-	-	-	6,220,000	769,092	6,989,092
2022	-	-	-	-	6,515,000	478,305	6,993,305
2023	-	-	-	-	<u>6,830,000</u>	<u>163,578</u>	<u>6,993,578</u>
TOTAL:	<u>\$18,450,000</u>	<u>\$1,078,156</u>	<u>\$16,125,000</u>	<u>\$4,304,581</u>	<u>\$31,225,000</u>	<u>\$14,782,247</u>	<u>\$85,964,984</u>

## **THE STATE REVOLVING FUND RECAPITALIZATION PROGRAM**

The Act provides a mechanism by which state agencies that administer or manage certain of the State's revolving fund loans (the "*Authorizing Agencies*"), including the Board, may liquidate Agency Bonds representing loans or grants made by the Authorizing Agencies. In accordance with the Act, the Commission may authorize the issuance of revenue bonds (the "*Recapitalization Bonds*") by the State, the proceeds of which are used by the State to acquire or assign an interest in Agency Bonds and thereby provide the Authorizing Agencies with funds to make additional loans. Prior to issuing such Recapitalization Bonds, the Commission and the Authorizing Agency on whose behalf the Recapitalization Bonds are being issued are required to enter into a financing agreement that specifies (a) the Agency Bonds, moneys or other security to be pledged by the Commission to provide for the payment of the Recapitalization Bonds; (b) the amount to be paid to the order of the Authorizing Agency for the Agency Bonds, monies or other security; and (c) other matters that the Commission considers necessary or appropriate.

The Board administers three revolving funds from each of which it makes loans or grants for various water projects. The loans are evidenced and secured by Agency Bonds. The Commission is issuing the Series 2010 Bonds in order to acquire or acquire an interest in Agency Bonds from loans from two of such funds. The two revolving funds consist of 193 Agency Bonds that are currently outstanding in the aggregate principal amount of approximately \$228 million, 72 of which are Pledged Loans. See "STATE OF UTAH-Utah Board of Water Resources" below. The Commission and the Board will enter into a Financing Agreement, dated February 1, 2010 (the "*Financing Agreement*"), regarding the pledge of those Agency Bonds from the Board that constitute the Pledged Loans for the Series 2010 Bonds.

### **PLEGGED LOANS**

#### **GENERAL**

Pursuant to the Financing Agreement, the Board and the Commission have pledged as security for the Series 2010 Bonds the Pledged Loans. The Pledged Loans are distributed among 53 different borrowers, one of which accounts for \$33,969,160 in principal amount of the Pledged Loans representing approximately 20% of the principal amount of the Pledged Loans. For more information regarding the Agency Bonds constituting the Pledged Loans, including the name of the Sponsor (defined below), the amounts payable and the final maturity date for each of the Pledged Loans, see "APPENDIX A-PLEGGED LOANS."

In general the Pledged Loans consist either of bonds of the Sponsor or an agreement between the Sponsor and the State, acting through the Board. The bonds are typically supported by a pledge of net revenues of the Sponsor's water and/or sewer system. The bond documents usually contain a covenant of the Sponsor to charge rates that will generate net revenues at least equal to 125% of aggregate annual debt service on the outstanding revenue bonds. The Board also generally requires that there be a debt service reserve fund for the bonds that are secured by

revenues that is built up over time to an amount established by the Board. 36 of the Pledged Loans are bonds of the Sponsor.

The agreements are usually with a private Sponsor and the payment obligations are general obligations of such Sponsor. Pursuant to the agreement, the State provides all or a portion of the funds necessary to construct a water conservation project. The Sponsor grants to the State an interest in the necessary property rights for the project and typically conveys to the State certain of the Sponsor's water rights. The Sponsor constructs the project, but title to the entire project is vested in the State. The Sponsor then purchases the project, the property rights and the water rights from the State by making annual payments to the State until the amount advanced by the State is paid in full, usually with interest. 36 of the Pledged Loans are agreements between the Sponsor and the State.

In connection with the pledge of such Agency Bonds, the Board will certify to the Commission that none of the Pledged Loans are currently in default; *provided, however*, no representation is being made by the Board, the State or any other party as to the financial condition or creditworthiness of the various Sponsors of the Pledged Loans.

#### CUSTODY OF PLEDGED LOANS

Pursuant to the Indenture, the State pledges and assigns the Pledged Loans to the Trustee for deposit in the Pledged Loan Fund, subject to the lien of the Indenture. The officer of the Division of Finance identified by the Act (the "*Division of Finance Officer*") will act as custodial agent for the Trustee and is responsible for the care, custody, safekeeping, collection and accounting of all Pledged Loans to the extent as such responsibilities are imposed pursuant to Section 202 of the Act on the Division of Finance Officer in connection with bonds, notes, contracts, trust documents and other evidences of indebtedness owned by the State or any of its agencies.

As evidence of the pledge of the Pledged Loans to secure payment of principal of and interest on the Series 2010 Bonds, the Indenture authorizes and directs the Division of Finance Officer to affix by separate attachment a legend indicating such pledge to each of the Pledged Loans and any Substitute Pledged Loans delivered under the Indenture.

#### RELEASE AND SUBSTITUTION OF PLEDGED LOANS

So long as no Event of Default has occurred under the Indenture and is then continuing, the State and the Board may, from time to time and at any time, without consent of the owners of the Series 2010 Bonds or the Trustee, release any one or more of the Pledged Loans from the lien and pledge of the Indenture; *provided, however*, that no such release will be effected until the Board has (a) substituted Substitute Pledged Loans on behalf of the State for the Pledged Loans to be released or (b) delivered an updated and compliant Cash Flow Statement.

Prior to the release of Pledged Loans from the lien and pledge of the Indenture and the release of the lien and pledge as provided in the Indenture, the Board, on behalf of the State, must direct the Division of Finance Officer, as custodial agent for the Trustee, to assign and

pledge Substitute Pledged Loans in substitution for Pledged Loans then held subject to the lien and pledge of the Indenture; *provided* that the following conditions are satisfied:

(a) the Board has obtained the written approval from an Authorized Representative of the State of the Substitute Pledged Loans to be substituted;

(b) delivery of a written certificate of an Authorized Board Officer to the effect that the Sponsor of the proposed Substitute Pledged Loans is not then in default with respect to any installments payable thereunder;

(c) delivery of a written certificate of an Authorized Representative of the State and an Authorized Board Officer to the effect that (i) the amount to be paid annually for the proposed Substitute Pledged Loans is not less than the amount that would have been paid annually for the Pledged Loans proposed to be released, (ii) the proposed Substitute Pledged Loans are free and clear of any lien, security interest, pledge or other encumbrances and may be transferred to the Division of Finance Officer, as custodial agent for the Trustee, or to the Trustee and pledged as security for the Series 2010 Bonds and (iii) no Event of Default has occurred under the Indenture and is then continuing; and

(d) delivery of a supplement to the Indenture describing the Substitute Pledged Loans and the Pledged Loans to be released.

As an alternative to the substitution of Pledged Loans as described above, the State may provide for the payment, redemption or defeasance of Series 2010 Bonds in an amount, if any, sufficient to permit compliance with the most recently filed Cash Flow Statement.

Unless the State can deliver an updated Cash Flow Statement meeting the requirements of the Indenture, from and to the extent of available Agency Bonds then held by the Board meeting the requirements of the Act and the Indenture, the State and the Board will substitute Substitute Pledged Loans for Pledged Loans where such Pledged Loans (a) have been, or are to be, prepaid in accordance with a notice of optional prepayment provided pursuant to the terms of the authorizing documents of such Pledged Loans, (b) have become due or are about to become due without sufficient funds being available to make payment thereon or (c) have experienced circumstances that, in the judgment of the Board, require that the Sponsor of the Pledged Loan be provided relief from the terms thereof in order to meet its obligations thereunder.

Unless the State can deliver an updated Cash Flow Statement meeting the requirements of the Indenture, the State and the Board will, from and to the extent of available Agency Bonds then held by the Board meeting the requirements of the Act and the Indenture, substitute Substitute Pledged Loans within 30 days for any Pledged Loans where any installments on such Pledged Loans are more than 90 days delinquent. In the event that the State and the Board cannot substitute any Substitute Pledged Loans, then the State and the Board must retain excess Revenues in the Revenue Fund and either redeem or defease Series 2010 Bonds until they can deliver a compliant Cash Flow Statement.

## SERVICING OF PLEDGED LOANS

Pursuant to the Indenture, the State and the Trustee consent to the appointment of the Division of Finance Officer to service the Pledged Loans. From and after the occurrence of an Event of Default under the Indenture or if the Division of Finance Officer no longer administers Agency Bonds for the Board under applicable State law, the Trustee, with the consent and approval of the State and the Board (which consent and approval may not be unreasonably withheld), may (a) replace the Division of Finance Officer with another servicer and such entity shall then perform the duties assigned to the Division of Finance Officer or (b) appoint another official or entity to perform any portion of the duties assigned to the Division of Finance Officer. The Trustee, with the consent and approval of the State and the Board, may at any time for cause, if the Trustee deems such action in the best interest of the holders of the Series 2010 Bonds, replace such other servicer or entity with the Division of Finance Officer. Any such servicer must execute such documents as the State, the Board and the Trustee may require. The Board is responsible for the expense of any replacement servicer.

## DEFAULTS ON PLEDGED LOANS

Pursuant to the Indenture, the Division of Finance Officer is obligated to diligently enforce, and take all reasonable steps, actions and proceedings necessary for the enforcement of all terms, covenants and conditions of the Pledged Loans, including the prompt payment of all repayments thereunder and all other amounts due the State thereunder, and to notify the State and the Trustee of any defaults under any Pledged Loans of which the Division of Finance Officer has knowledge. The Division of Finance Officer may not, except pursuant to the provisions of the Indenture regarding payment and release of Pledged Loans, release the obligations of any borrower under any Pledged Loans and will at all times, to the extent permitted by law, defend, enforce, preserve and protect the rights and privileges of the State and of the owners of the Series 2010 Bonds under or with respect to the Pledged Loans; *provided* that such provision shall not be construed to prevent the Board on behalf of the State from substituting Substitute Pledged Loans.

## PAYMENT OR PREPAYMENT OF PLEDGED LOANS

Upon the payment of all sums due and to become due under Pledged Loans, the Board (on behalf of the State) is required to direct the Division of Finance Officer to release the Pledged Loan so paid from the lien and pledge of the Indenture and deliver such Pledged Loan to the Board to be canceled and returned to the issuer thereof.

## RISK OF NONSUBSTITUTION UPON PREPAYMENT OF PLEDGED LOANS

Most of the Pledged Loans are subject to optional redemption or prepayment by their Sponsor prior to maturity. The Board anticipates that it will be able to replace any Pledged Loans so redeemed with Substitute Pledged Loans. However, if the Board were unable to provide such Substitute Pledged Loans, an early redemption of one or more Pledged Loans could result in a shortfall in the Revenues in the Bond Fund Years following the Bond Fund Year in which the redemption occurs. In such event, the Trustee would be obligated to draw upon the

moneys in the Series 2010 Debt Service Reserve Account to meet principal and interest payment obligations on the Series 2010 Bonds as they come due or pursuant to redemption.

#### AMENDMENTS TO PLEDGED LOANS

The Board on behalf of the State may, without the consent of or notice to the owners of the Series 2010 Bonds or the Trustee, consent to any amendment, change or modification of any Pledged Loan, (a) that may be required by the provisions of such Pledged Loan, (b) that may be required for the purpose of curing any ambiguity or formal defect or omission, (c) so as to add additional rights acquired in accordance with the provisions of such Pledged Loan and (d) to make any other change whatsoever so long as the State expects to continue to comply with the most recently filed Cash Flow Statement or provides an updated Cash Flow Statement meeting the requirements of the Indenture following such amendment, change or modification.

Except for amendments, changes or modifications described in the preceding paragraph, neither the State, the Board on behalf of the State nor the Trustee may consent to any amendment, change or modification of any Pledged Loan, without notice to, and receipt of written approval or consent of, the owners of not less than 66 2/3% in aggregate principal amount of the Series 2010 Bonds at the time outstanding.

#### STATE OF UTAH

The following description of State government emphasizes those functions of government related to finance, administration and planning of State government, and is not intended as a detailed description of all functions of the State's government.

#### CONSTITUTIONAL DEPARTMENTS

The Constitution of the State (the "*State Constitution*") divides the powers of government among: the legislative department, the executive department and the judicial department.

***Legislative Department.*** The legislative department is composed of the Senate and the House of Representatives, which constitute the Legislature. The Legislature exercises the legislative power of the State and meets in regular session annually beginning in January. The Legislature imposes taxes to provide revenues and makes appropriations to carry out all the activities of State government.

***Executive Department.*** The elected constitutional officers of the executive department are the Governor, Lieutenant Governor, State Auditor, State Treasurer, and Attorney General. The Governor is the chief executive officer of the State.

***Judicial Department.*** The State Constitution vests the judicial power of the State "in a supreme court, in a trial court of general jurisdiction known as the district court, and in such

other courts as the Legislature by statute may establish.” Under such authority, the Legislature has established the Court of Appeals, juvenile courts and justice courts.

#### CERTAIN OTHER ADMINISTRATIVE BODIES

***Utah State Tax Commission.*** The Utah State Tax Commission (the “*State Tax Commission*”) is responsible for, among other things, administering and enforcing the tax laws of the State, formulating State tax policy, assessing certain properties and collecting various State taxes.

***Division of Finance.*** Among other things, the Division of Finance maintains financial accounts for State agencies, maintains a central accounting system, approves accounting systems of State agencies, approves proposed expenditures for the purchase of supplies and services requested by the majority of State agencies and issues financial reports of the State.

***Governor’s Office of Planning and Budget.*** The Governor’s Office of Planning and Budget prepares the Governor’s budget recommendations, monitors state agency expenditures, forecasts and monitors revenues and coordinates state planning activities.

***State Bonding Commission.*** The Lieutenant Governor (as designee of the Governor), the State Treasurer and a third person appointed by the Governor constitute the Commission. The Commission, following authorization by the Legislature, is responsible for the issuance of the State’s general obligation bonds, and, under the Act, can also issue revenue bonds for Authorized Agencies.

#### UTAH DIVISION OF WATER RESOURCES

The Utah Division of Water Resources, one of seven divisions within the Utah Department of Natural Resources, was created in 1967 with state legislative authority to direct the orderly and timely planning, conservation, development, protection and preservation of the State’s water resources to meet the beneficial needs of the citizens of the State. Its responsibilities include comprehensive water planning, protecting the State’s rights to interstate waters, managing the State’s technical and financial assistance program for project construction and conservation and education.

The State’s water development programs, managed through the Division of Water Resources and the Board, provide technical and financial assistance to cities, towns, conservancy districts, special service districts, private irrigation companies, or similar sponsors (each a “*Sponsor*”) to construct irrigation projects, wells, rural and urban culinary water systems, multipurpose dams and water systems and similar water development and conservation projects.

#### UTAH BOARD OF WATER RESOURCES

The Utah Water and Power Board, predecessor of the current Board, was created in 1947. The Board was later established by the 1967 Legislature to administer the State’s water

conservation and development project funding and technical assistance programs. The eight members of this policy making board are appointed by the Governor, with the consent of the Senate. Technical and financial assistance from the Division of Water Resources and the Board has helped build over 1,325 projects in all of the State's 29 counties since 1947. The majority of the funding assistance is provided through three revolving loan funds administered by the Board: the Water Resources Conservation and Development Fund, the Water Resources Cities Water Loan Fund and the Water Resources Construction Fund.

***Water Resources Conservation and Development Fund.*** The Water Resources Conservation and Development Fund (the "*Development Fund*") was created in 1978 and consists mainly of bond funds, legislative appropriations, and repayments from project Sponsors. This fund generally helps project Sponsors finance projects that conserve or develop water or hydroelectric power resources of the State or that control flooding. Funding to Sponsors is secured by the Board's purchase of Agency Bonds.

The Board currently has 140 loans outstanding under the Development Fund in the aggregate principal amount of \$203,996,641. Each of such loans is secured by Agency Bonds, 62 of which constitute Pledged Loans. See "APPENDIX A–PLEGGED LOANS" below. Since the Board began making loans from the Development Fund, no Sponsors have failed to repay the related Agency Bond.

Over the past 5 years, the Board has received approximately 13 applications annually for new loans from the Development Fund. Depending on the funds available to the Board, the Board annually makes approximately 12 additional loans each year, each of which is supported by an Agency Bond. Loans from the Development Fund may be made to any political subdivision of the State, federal agency, water users' association, Indian Tribe or corporation. As of the date hereof, the Board has authorized, but not yet closed on approximately \$132,878,000 aggregate principal amount of additional loans from the Development Fund. Additionally, the Board has identified approximately \$44,875,000 of additional water projects that may qualify for loans from the Development Fund. Any of the subsequent loans made from the Development Fund that are secured by Agency Bonds may, in accordance with the provisions of the Indenture, become Substitute Pledged Loans. See "PLEGGED LOANS–Release and Substitution of Pledged Loans" above.

***Water Resources Cities Water Loan Fund.*** The Water Resources Cities Water Loan Fund (the "*Cities Fund*") was established by the 1974 Legislature and consists of legislative appropriations and project Sponsor repayments. This fund generally helps cities, towns, local districts, assessment areas and special service districts expand, upgrade, or construct new and existing culinary water systems. To secure funding and repayment, the Board obtains general obligation or revenue bonds from project Sponsors.

The Board currently has 53 loans outstanding under the Cities Fund in the aggregate principal amount of \$24,014,284. Each of such loans is secured by Agency Bonds, 10 of which constitute Pledged Loans. See "APPENDIX A–PLEGGED LOANS" below. Since the Board began making loans from the Cities Fund, no Sponsors have failed to repay the related Agency Bond.

Over the past 5 years, the Board has received approximately 2 applications annually for new loans from the Cities Fund. Depending on the funds available to the Board, the Board annually makes approximately 2 additional loans each year, each of which are supported by an Agency Bond. As of the date hereof, the Board has authorized, but not yet closed on approximately \$340,000 aggregate principal amount of additional loans from the Cities Fund. Additionally, the Board has identified approximately \$2,835,000 of additional water projects that may qualify for loans from the Cities Fund. Any of the subsequent loans made from the Cities Fund that are secured by Agency Bonds may, in accordance with the provisions of the Indenture, become Substitute Pledged Loans. See “PLEGGED LOANS–Release and Substitution of Pledged Loans” above.

***Water Resources Construction Fund.*** The Water Resources Construction Fund (the “*Construction Fund*”) was created by the 1947 Legislature and consists of, among other sources, legislative appropriations and charges assessed against water and power users. The fund is generally used to help pay for water conservation projects and dam safety studies and upgrades. No Agency Bonds from the Construction Fund will be pledged to the payment of any Bonds authorized under the Indenture.

#### ADDITIONAL BONDS

The Board and the State do not anticipate issuing additional Bonds during the fiscal year ending June 30, 2010.

#### FIVE-YEAR FINANCIAL SUMMARIES

The following summaries were extracted from the State’s audited financial statements for Fiscal Years 2005 through 2009. The summaries have not been audited. The financial information presented in the summaries is presented on a fund statement basis and not on a government-wide statement basis.

Five-year historical summaries have been prepared for the “Combined Balance Sheet–All Governmental Fund Types Only;” “Statement of Revenues, Expenditures and Changes in Fund Balance–General Fund” and “Statement of Revenues, Expenditures and Changes in Fund Balance–Major Special Revenue Funds.”

The five-year summary of the “Statement of Revenues, Expenditures and Changes in Fund Balance–Major Special Revenue Funds” has been included to show the State’s sources of revenue for and expenditures on public education and transportation.

STATE OF UTAH

COMBINED BALANCE SHEET—ALL GOVERNMENTAL FUND TYPES ONLY<sup>(1)</sup>  
(This summary is unaudited.)

	As of June 30 (in thousands)				
	2009	2008	2007	2006	2005
<b>Assets:</b>					
Cash and cash equivalents	\$1,052,272	\$1,540,923	\$1,811,006	\$1,259,084	\$ 932,620
Investments	1,070,235	950,549	746,104	769,088	521,982
<b>Receivables:</b>					
Accounts, net	734,385	571,498	533,245	473,961	464,291
Accrued interest	55	80	77	135	123
Accrued tax, net	753,290	833,731	1,191,060	929,421	693,516
Notes/mortgages, net	11,073	10,078	12,920	30,471	13,265
Due from other funds	61,138	50,038	90,336	30,214	23,700
Due from component units	28,829	35,802	42,177	26,784	26,179
Inventories	13,324	1,899	12,776	1,557	11,473
Interfund loans receivable	34,933	39,005	33,905	28,111	32,533
Other Assets	<u>21</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$3,759,555</u>	<u>\$4,043,603</u>	<u>\$4,473,606</u>	<u>\$3,558,826</u>	<u>\$2,719,682</u>
<b>Liabilities and fund balances:</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 812,554	\$ 768,618	\$ 721,060	\$ 598,382	\$ 589,716
Due to other funds	83,512	71,019	99,670	35,704	28,151
Due to component units	3,427	19	448	440	1,503
Deferred revenue	<u>451,121</u>	<u>433,196</u>	<u>614,529</u>	<u>502,036</u>	<u>319,938</u>
Total liabilities	<u>1,350,614</u>	<u>1,272,852</u>	<u>1,435,707</u>	<u>1,136,562</u>	<u>939,308</u>
<b>Fund balances:</b>					
Reserved	1,282,127	1,323,820	986,326	836,056	716,255
Unreserved designated	880,157	1,134,438	1,628,919	1,199,334	681,751
Unreserved undesignated	<u>246,657</u>	<u>312,493</u>	<u>422,654</u>	<u>386,874</u>	<u>382,368</u>
Total fund balances	<u>2,408,941</u>	<u>2,770,751</u>	<u>3,037,899</u>	<u>2,422,264</u>	<u>1,780,374</u>
Total liabilities and fund balances	<u>\$3,759,555</u>	<u>\$4,043,603</u>	<u>\$4,473,606</u>	<u>\$3,558,826</u>	<u>\$2,719,682</u>

(1) Includes all governmental fund types (except the Trust Lands permanent fund).  
(Source: Division of Finance. Except as otherwise noted, this summary of financial information has been taken from the State's audited financial statements for the indicated years. This summary itself has not been audited.)

STATE OF UTAH

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUND TYPE—GENERAL FUND

(This summary is unaudited.)

	Fiscal Year Ended June 30 (in thousands)				
	2009	2008	2007	2006	2005
Revenues:					
Taxes:					
Sales and use tax <sup>(1)</sup>	\$1,487,652	\$1,710,564	\$1,860,703	\$1,820,992	\$1,664,352
Other taxes	<u>280,934</u>	<u>283,852</u>	<u>274,563</u>	<u>271,178</u>	<u>234,710</u>
Total taxes	<u>1,768,586</u>	<u>1,994,416</u>	<u>2,135,266</u>	<u>2,092,170</u>	<u>1,899,062</u>
Other revenues:					
Federal contracts and grants	2,272,215	1,892,116	1,818,571	1,859,583	1,776,555
Charges for services	293,753	299,819	267,479	256,025	238,181
Licenses, permits and fees	23,018	20,633	20,479	18,725	17,866
Federal mineral lease	172,642	134,404	145,985	156,851	82,704
Investment income	29,993	75,647	94,448	47,027	16,483
Miscellaneous and other	<u>202,666</u>	<u>158,883</u>	<u>166,471</u>	<u>164,890</u>	<u>148,015</u>
Total revenues	<u>4,762,873</u>	<u>4,575,918</u>	<u>4,648,699</u>	<u>4,595,271</u>	<u>4,178,866</u>
Expenditures:					
Current:					
General government	283,138	286,274	242,845	200,631	161,728
Human services and youth corrections	696,787	674,389	623,689	590,727	575,046
Corrections, adult	252,886	247,376	225,548	203,419	193,442
Public safety	209,961	191,483	170,306	177,201	161,350
Courts	127,442	128,148	118,326	111,541	106,128
Health and environmental quality	1,806,126	1,643,269	1,615,690	1,629,909	1,456,282
Higher education-state administration	60,224	64,587	49,064	43,505	39,121
Higher education-colleges & universities	746,846	773,107	693,082	665,855	626,026
Employment and family services	519,282	432,032	405,902	412,855	415,892
Natural resources	173,138	171,738	166,533	136,059	120,398
Community and culture	135,062	127,225	105,051	82,627	86,335
Business, labor and agriculture	<u>92,430</u>	<u>87,601</u>	<u>81,643</u>	<u>79,138</u>	<u>74,919</u>
Total expenditures	<u>5,103,322</u>	<u>4,827,229</u>	<u>4,497,679</u>	<u>4,333,467</u>	<u>4,016,667</u>
Excess revenues over (under expenditures)	<u>(340,449)</u>	<u>(251,311)</u>	<u>151,020</u>	<u>261,804</u>	<u>162,199</u>
Other financing sources (uses):					
Capital leases acquisition	2,010	2,131	-	-	-
Sale of capital assets	11,001	80	-	-	-
Transfers in	587,138	908,222	649,271	323,689	294,313
Transfers out	<u>(491,877)</u>	<u>(873,826)</u>	<u>(589,855)</u>	<u>(370,336)</u>	<u>(288,486)</u>
Total other financing sources (uses)	<u>108,272</u>	<u>36,607</u>	<u>59,416</u>	<u>(46,647)</u>	<u>5,827</u>
Net change in fund balances	(232,177)	(214,704)	210,436	215,157	168,026
Beginning fund balance	<u>864,868</u>	<u>1,079,572</u>	<u>869,136</u>	<u>653,979</u>	<u>485,953</u>
Ending fund balances	<u>\$ 632,691</u>	<u>\$ 864,868</u>	<u>\$1,079,572</u>	<u>\$ 869,136</u>	<u>\$ 653,979</u>

(1) The large decrease in Fiscal Year 2008 was due in large part to \$90 million of general sale and use tax collections being redirected from the General Fund into the Critical Highway Needs Fund, an account within the Transportation Fund (a Major Special Revenue Fund) as directed by the 2007 Legislature.

(Source: Division of Finance. This summary of financial information has been taken from the State's audited financial statements for the indicated years. This summary itself has not been audited.)

STATE OF UTAH  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUND TYPE—MAJOR SPECIAL REVENUE FUNDS <sup>(1)</sup>

(This summary is unaudited.)

	Fiscal Year Ended June 30 (in thousands)				
	2009	2008	2007	2006	2005
Revenues:					
Taxes:					
Sales and use tax <sup>(2)</sup>	\$ 269,831	\$ 320,675	\$ 249,029	\$ 94,608	\$ 35,284
Individual income tax	2,340,400	2,560,394	2,589,252	2,324,365	1,946,593
Corporate tax	249,177	410,586	411,929	379,624	209,304
Motor and special fuel tax	337,529	357,664	366,446	344,902	336,417
Other taxes	<u>41,833</u>	<u>41,661</u>	<u>38,586</u>	<u>40,796</u>	<u>36,554</u>
Total taxes	<u>3,238,770</u>	<u>3,690,980</u>	<u>3,655,242</u>	<u>3,184,295</u>	<u>2,564,152</u>
Other revenues:					
Federal contracts and grants	920,599	677,931	650,871	641,447	586,248
Charges for services	71,489	70,715	56,592	50,857	26,975
Licenses, permits and fees	105,194	101,249	99,870	94,959	90,040
Federal aeronautics	34,141	68,193	44,074	37,521	34,416
Investment income	43,451	49,281	41,156	31,222	22,235
Miscellaneous and other	<u>135,306</u>	<u>70,641</u>	<u>54,111</u>	<u>38,169</u>	<u>17,318</u>
Total other revenues	<u>1,310,180</u>	<u>1,038,010</u>	<u>946,674</u>	<u>894,175</u>	<u>777,232</u>
Total revenues	<u>4,548,950</u>	<u>4,728,990</u>	<u>4,601,916</u>	<u>4,078,470</u>	<u>3,341,384</u>
Expenditures:					
Current:					
Public education	3,034,678	2,960,523	2,547,075	2,322,801	2,168,798
Transportation	<u>1,694,356</u>	<u>1,471,453</u>	<u>1,220,484</u>	<u>975,432</u>	<u>831,737</u>
Total expenditures	<u>4,729,034</u>	<u>4,431,976</u>	<u>3,767,559</u>	<u>3,298,233</u>	<u>3,000,535</u>
Excess revenues over (under expenditures)	<u>(180,084)</u>	<u>297,014</u>	<u>834,357</u>	<u>780,237</u>	<u>340,849</u>
Other financing sources (uses):					
General obligation bonds issued	394,360	68,995	-	-	47,050
Premium on bonds issued	33,557	1,088	-	-	2,950
Sale of capital assets	6,157	8,058	6,747	-	-
Transfers in	2,549,946	3,072,875	2,612,415	286,496	185,731
Transfers out	<u>(2,919,863)</u>	<u>(3,625,959)</u>	<u>(3,074,734)</u>	<u>(567,290)</u>	<u>(535,939)</u>
Total other financing sources (uses)	<u>64,157</u>	<u>(474,943)</u>	<u>(455,572)</u>	<u>(280,794)</u>	<u>(300,208)</u>
Net change in fund balances	<u>(115,927)</u>	<u>(177,929)</u>	<u>378,785</u>	<u>499,443</u>	<u>40,641</u>
Beginning fund balance	1,497,292	1,675,221	1,296,436	796,993	757,418
Adjustments to beginning fund balance <sup>(3)</sup>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,066)</u>
Beginning fund balance as adjusted	<u>1,497,292</u>	<u>1,675,221</u>	<u>1,296,436</u>	<u>796,993</u>	<u>756,352</u>
Ending fund balances	<u>\$1,381,365</u>	<u>\$1,497,292</u>	<u>\$1,675,221</u>	<u>\$1,296,436</u>	<u>\$796,993</u>

(1) The major special revenue funds include the Education Fund, Uniform School Fund, Transportation Fund, and Transportation Investment Fund.

(2) The large increase in Fiscal Year 2007 was from 8.3% of general sales and use tax collections (approximately \$150 million) being transferred from the General Fund into the Transportation Investment Fund (a Major Special Revenue Fund) as directed by the 2006 Legislature. Additionally in Fiscal Year 2008, \$90 million of general sales and use tax collections were redirected from the General Fund into the Critical Highway Needs Fund, an account within the Transportation Fund (a Major Special Revenue Fund) as directed by the 2007 Legislature.

(3) Due primarily to changes in accounting standards.

(Source: Division of Finance. Except as otherwise noted, this summary of financial information has been taken from the State's audited financial statements for the indicated years. This summary itself has not been audited.)

## ADDITIONAL FINANCIAL AND OPERATING INFORMATION REGARDING THE STATE

The Comprehensive Annual Financial Report of the State for the fiscal year ended June 30, 2009 (the “*CAFR*”), and its most recent official statements and continuing disclosure information for its general obligation and lease revenue bond debt are currently on file on the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board. The financial and operating information with respect to the State contained in the *CAFR*, such official statements and continuing disclosure information are hereby included by reference in this Official Statement.

The *CAFR* and the most current continuing disclosure information may also be obtained on the internet at the State Division of Finance’s home page ([finance.utah.gov](http://finance.utah.gov)). The State’s most recent official statements for its general obligation and lease revenue bonds may also be found on the internet. Such information contained on the internet shall not be considered to be a part of this Official Statement and is not provided in connection with the offering of the Series 2010 Bonds.

As of the date of this Official Statement, the outstanding general obligation bonds of the State are rated “AAA” by Fitch Ratings (“*Fitch*”), “Aaa” by Moody’s Investors Service, Inc. (“*Moody’s*”), and “AAA” by Standard and Poor’s Ratings Group, a Division of The McGraw-Hill Companies, Inc. (“*S&P*”).

### NO LITIGATION

#### ABSENCE OF LITIGATION CONCERNING THE SERIES 2010 BONDS

There is no litigation pending or threatened against the Series 2010 Bonds questioning or in any matter relating to or affecting the validity of the Series 2010 Bonds.

On the date of the execution and delivery of the Series 2010 Bonds, certificates will be delivered by the State to the effect that to the knowledge of the State, there is no action, suit, proceeding or litigation pending or threatened against the State, which in any way materially questions or affects the validity or enforceability of the Series 2010 Bonds or any proceedings or transactions relating to their authorization, execution, authentication, marketing, sale or delivery or which materially adversely affects the existence or powers of the State.

A non-litigation opinion issued by the State’s Attorney General, dated the date of closing, will be provided stating, among other things, that there is not now pending, or to his knowledge threatened, any action, suit, proceeding, inquiry, or any other litigation or investigation, at law or in equity, before or by any court, public board or body, challenging the creation, organization or existence of the State, or the titles of its respective officers to their respective offices, or the ability of the State, or its respective officers to authenticate, execute or deliver the Series 2010 Bonds or such other documents as may be required in connection with the issuance and sale of the Series 2010 Bonds, or to comply therewith or perform its respective obligations thereunder, or seeking to restrain or enjoin the issuance, sale or delivery of the Series

2010 Bonds, or directly or indirectly contesting or affecting the proceedings or the authority by which the Series 2010 Bonds are issued, the legality of the purposes for which the Series 2010 Bonds are issued, or the validity of the Series 2010 Bonds or the issuance and sale thereof.

#### MISCELLANEOUS LEGAL MATTERS

The State, its officers, agencies, and departments, are parties to numerous routine legal proceedings, many of which normally occur in governmental operations.

#### ATTORNEY GENERAL'S OPINION OF EFFECT OF LEGAL PROCEEDINGS ON THE SERIES 2010 BONDS

Based on discussions with representatives of the State's executive and legislative departments, the Attorney General is of the opinion that the miscellaneous legal proceedings against the State, individually or in the aggregate, are not likely to have a material adverse impact on the State's ability to pledge the Pledged Loans and the Revenues and to use such Revenues to make its payments of the principal of and interest on the Series 2010 Bonds as those payments come due.

### TAX MATTERS

#### FEDERAL INCOME TAX MATTERS

***The Federally Taxable Bonds.*** Interest on the Federally Taxable Bonds is not excludable from gross income for federal income tax purposes.

***The Series 2010B Bonds.*** In the opinion of Ballard Spahr, LLP, Bond Counsel, interest on the Series 2010B Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Series 2010B Bonds, assuming the accuracy of the certifications of the State and the continuing compliance by the State with the requirements of the Code. Interest on the Series 2010B Bonds is exempt from individual and corporate federal AMT and is not includable in adjusted current earnings for purposes of corporate AMT.

The Internal Revenue Code of 1986, as amended, contains a number of requirements and restrictions which apply to the Series 2010B Bonds. The State has covenanted to comply with all such requirements and restrictions. Failure to comply with certain of such requirements and restrictions may cause interest on the Series 2010B Bonds to become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2010B Bonds. Bond Counsel has assumed, without undertaking to determine or confirm, continuing compliance by the State with such requirements and restrictions in rendering its opinion regarding the tax-exempt status of interest on the Series 2010B Bonds.

The Series 2010B Bonds are offered at a premium ("*original issue premium*") over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a Series 2010B Bond through reductions in the holders' tax basis in

the Series 2010B Bond for determining taxable gain or loss from the sale or from redemption prior to maturity. Amortization of premium does not create a deductible expense or loss. Holders of Premium Series 2010B Bonds should consult their tax advisors for an explanation of the amortization rules.

#### STATE OF UTAH INCOME TAX

Bond Counsel is also of the opinion that interest on the Series 2010 Bonds is exempt from State of Utah individual income taxes under currently existing law.

#### NO FURTHER OPINION

Bond Counsel expresses no opinion regarding any other tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the Series 2010 Bonds.

#### BUILD AMERICA BONDS

**General Description.** In February 2009, as part of the Recovery Act, Congress added Sections 54AA and 6431 to the Code, which permit state or local governments to obtain certain tax advantages when issuing taxable obligations that meet certain requirements of the Code and the related Treasury regulations. Such bonds are referred to as Build America Bonds. A Build America Bond is a qualified bond under Section 54AA(g) of the Code (a “*Qualified Build America Bond*”) if it meets certain requirements of the Code and the related Treasury regulations and the issuer has made an irrevocable election to have the special rule for qualified bonds apply. Interest on Qualified Build America Bonds is not excluded from gross income for purposes of the federal income tax, and owners of Qualified Build America Bonds will not receive any tax credits as a result of ownership of such Qualified Build America Bonds when an issuer has elected to receive the Interest Subsidy Payments, as defined below.

**Interest Subsidy Payments.** Under Section 6431 of the Code, an issuer of a Qualified Build America Bond may apply to receive payments (the “*Interest Subsidy Payments*” or “*Interest Subsidy Payment*”) directly from the Secretary of the U.S. Treasury (the “*Secretary*”). The amount of a Interest Subsidy Payment is set in Section 6431 of the Code at 35% of the corresponding interest payable on the related Qualified Build America Bond. To receive an Interest Subsidy Payment, under currently existing procedures, the issuer will have to file a tax return (now designated as Form 8038-CP) between 90 and 45 days prior to the corresponding bond interest payment date. The issuer should expect to receive the Interest Subsidy Payment contemporaneously with the interest payment date with respect to the Qualified Build America Bond. Depending on the timing of the filing and other factors, the Interest Subsidy Payment may be received before or after the corresponding interest payment date.

**The Series 2010C Bonds as Qualified Build America Bonds.** The State will treat the Series 2010C Bonds as Qualified Build America Bonds. As a result of this election, interest on the Series 2010C Bonds will be includable in gross income of the holders thereof for federal income tax purposes and the holders of the Series 2010C Bonds will not be entitled to any tax

credits as a result of either ownership of the Series 2010C Bonds or receipt of any interest payments on the Series 2010C Bonds. Holders of the Series 2010C Bonds should consult their tax advisors with respect to the inclusion of interest on the Series 2010C Bonds in gross income for federal income tax purposes.

The State, or, in accordance with the Indenture, the Trustee on behalf of the State, intends to apply for Interest Subsidy Payments from the Secretary under the “Build America Program” pursuant to Section 6431 of the Code.

No assurances are provided that the State will receive Interest Subsidy Payments. The amount of any Interest Subsidy Payment is subject to legislative changes by Congress. Interest Subsidy Payments will only be paid if the Series 2010C Bonds are Qualified Build America Bonds. For the Series 2010C Bonds to be and remain Qualified Build America Bonds, the State must comply with certain covenants and the State must establish certain facts and expectations with respect to the Series 2010C Bonds, the use and investment of proceeds thereof and the use of property financed thereby. There are currently no procedures for requesting a Interest Subsidy Payment after the 45<sup>th</sup> day prior to an interest payment date; therefor, if the State fails to file the necessary tax return in a timely fashion, it is possible that the State will never receive such Interest Subsidy Payments. Also, Interest Subsidy Payments are subject to offset against certain amounts that may, for unrelated reasons, be owed by the State to an agency of the United States of America.

#### ERISA CONSIDERATIONS

The United States Employee Retirement Income Security Act of 1974, as amended (“ERISA”) imposes certain duties on persons who are fiduciaries of employee benefit plans (as defined in Section 3(3) of ERISA) (“ERISA Plans”). Section 406(a) of ERISA and Section 4975 of the Code prohibit certain transactions (“*prohibited transactions*”) involving the assets of ERISA Plans or plans described in Section 4975(e)(1) of the Code (together with ERISA Plans, “Plans”) and certain persons (referred to as “*Parties-In-Interest*” in ERISA and as “*Disqualified Persons*” in Section 4975 of the Code) having certain relationships to such Plans. A Party-In-Interest or Disqualified Person who engages in a non-exempt prohibited transaction may be subject to nondeductible excise taxes and other penalties and liabilities under ERISA and/or the Code.

Any of the Underwriters as a result of its own activities or because of the activities of an affiliate, may be considered a Party-In-Interest or a Disqualified Person with respect to certain Plans. Accordingly, prohibited transactions within the meaning of Section 406 of ERISA and Section 4975 of the Code may arise if Federally Taxable Bonds are acquired by a Plan with respect to which a Underwriter or its affiliate is a Party-In-Interest or Disqualified Person. Certain exemptions from the prohibited transaction rules could be applicable, *however*, depending in part upon the type of Plan fiduciary making the decision to acquire Federally Taxable Bonds and the circumstances under which such decision is made. Included among these exemptions are Prohibited Transaction Exemption (“PTE”) 90-1, regarding investments by insurance company pooled separate accounts; PTE 91-38, regarding investments by bank collective investment funds; PTE 84-14, regarding transactions effected by a “*qualified*

*professional asset manager;*” PTE 96-23, regarding investments by certain in-house asset managers; and PTE 95-60, regarding investments by insurance company general accounts. Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts which might be construed as prohibited transactions. With the objective of preventing prohibited transactions under ERISA of Section 4975 of the Code in connection with the acquisition of a Federally Taxable Bond by or on behalf of a Plan, each prospective purchaser of a Federally Taxable Bond that is a Plan or is acquiring on behalf of a Plan will be deemed to represent that either (i) no prohibited transactions under ERISA or Section 4975 of the Code will occur in connection with the acquisition of such Federally Taxable Bond or (ii) the acquisition of such Federally Taxable Bond is subject to a statutory or administrative exemption.

Any Plan fiduciary who proposes to cause a Plan to purchase the Federally Taxable Bonds should (a) consult with its counsel with respect to the potential applicability of ERISA and the Code to such investments and whether any exemption would be applicable and (b) determine on its own whether all conditions have been satisfied. Moreover, each Plan fiduciary should determine whether, under the general fiduciary standards of investment prudence and diversification, an investment in the Federally Taxable Bonds is appropriate for the Plan, taking into account the overall investment policy of the Plan and the composition of the Plan’s investment portfolio.

#### **LEGAL MATTERS**

The approving opinion of Ballard Spahr LLP, Bond Counsel to the State, concerning the validity of the Series 2010 Bonds, in substantially the form set out in APPENDIX C to this Official Statement, will be provided at the time of delivery of the Series 2010 Bonds. Copies of the opinion of Bond Counsel will be available upon request from the chief contact person for the State indicated under the heading “INTRODUCTION–Contact Person” above.

Bond Counsel has reviewed those portions of the Official Statement captioned: “INTRODUCTION,” “THE SERIES 2010 BONDS” (except the portions under the captions “–Estimated Sources and Uses of Funds,” “–Book-Entry Only System” and “–Debt Service on the Series 2010 Bonds”), “PLEGGED LOANS” (except the portions under the caption “–General”) and “TAX MATTERS” and APPENDIX B and APPENDIX C, insofar as the statements contained under such captions summarize provisions of the Series 2010 Bonds, the Indenture and such firm’s opinion with respect to the tax status of interest on the Series 2010 Bonds. Bond Counsel also prepared and has reviewed APPENDIX C to the Official Statement, which sets forth the anticipated form of Bond Counsel’s opinion on the Series 2010 Bonds. Bond Counsel has not assumed responsibility for the material in the Official Statement and has not verified independently the information set out therein. In addition, Bond Counsel has not assumed responsibility for any agreement, representations, offering circulars, or other material of any kind not mentioned in this paragraph, relating to the offering of the Series 2010 Bonds for sale.

Certain legal matters will be passed upon for the State by the Office of the Attorney General of the State. Certain legal matters will be passed upon for the Underwriters by Chapman and Cutler LLP.

## BOND RATINGS

Moody's and S&P have rated the Series 2010 Bonds "Aa2" and "AA," respectively, as of the date of this Official Statement.

Any explanation of the significance of these outstanding ratings may only be obtained from the rating service furnishing the same. The above ratings are not recommendations to buy, sell or hold the Series 2010 Bonds. There is no assurance that such ratings will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any such downward change or withdrawal of such rating may have an adverse effect on the market price of the Series 2010 Bonds.

## FINANCIAL ADVISOR

The State has entered into an agreement with Zions Bank Public Finance (the "*Financial Advisor*") whereunder the Financial Advisor provides financial recommendations and guidance to the State with respect to preparation for sale of the Series 2010 Bonds, timing of sale, bond market conditions, costs of issuance and other factors relating to the sale of the Series 2010 Bonds. The Financial Advisor has read, participated in the drafting of and provided the information in certain provisions of this Official Statement. The Financial Advisor has not otherwise audited, authenticated or verified the information set forth in the Official Statement, or any other related information available to the State, with respect to accuracy and completeness of disclosure of such information, and no guaranty, warranty or other representation is made by the Financial Advisor respecting accuracy and completeness of the Official Statement or any other matters related to the Official Statement. Financial Advisor fees are contingent upon the sale and delivery of the Series 2010 Bonds.

## BOND PURCHASE

The Underwriters have agreed, subject to certain conditions, to (a) purchase:

(i) all of the Series 2010A Bonds from the State at an aggregate price of \$18,359,595.00 (which consists of a principal amount of \$18,450,000.00; *less* an Underwriters' discount of \$90,405.00);

(ii) all of the Series 2010B Bonds from the State at an aggregate price of \$17,955,740.80 (which consists of a principal amount of \$16,125,000.00; *plus* net original issue premium of \$1,927,490.80; *less* an Underwriters' discount of \$96,750.00); and

(iii) all of the Series 2010C Bonds from the State at an aggregate price of \$31,037,650.00 (which consists of a principal amount of \$31,225,000.00; *less* an Underwriters' discount of \$187,350.00); and

(b) to make a public offering of the Series 2010 Bonds.

The Underwriters have advised the State that the Series 2010 Bonds may be offered and sold to certain dealers (including dealers depositing the Series 2010 Bonds into investment trusts) at prices lower than the initial public offering prices set forth on the inside cover page of the Official Statement and that such public offering prices may be changed from time to time.

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

#### MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

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

This Official Statement and its distribution and use have been duly authorized by the State.

STATE OF UTAH

By /s/Richard K. Ellis  
Richard K. Ellis, State Treasurer  
Secretary, State Bonding Commission

## APPENDIX A

### PLEDGED LOANS

The following tables set forth certain information regarding the Pledged Loans. Such tables were prepared as of December 31, 2009, in accordance with the terms of the Pledged Loans, assuming no prepayments on the Pledged Loans. The State will acquire its interest in the Pledged Loans on the Closing Date.

No Sponsor under any Pledged Loan has participated in the preparation of this Official Statement or in the disclosure of any information contained herein.

#### COMPOSITION OF THE PLEDGED LOANS (As of December 31, 2009)

Aggregate Principal Balance:	\$166,700,261
Number of Pledged Loans:	72
Number of Sponsors:	53
Weighted Average Pledged Loan Coupon Rate: <sup>(1)</sup>	2.2%
Pledged Loan Rate Range: <sup>(1)</sup>	0.00% - 7.75%
Average Principal Balance:	
Per Pledged Loan:	\$2,315,281
Per Sponsor:	\$3,145,288
Weighted Average Remaining Term (in months): <sup>(2)</sup>	246.79
Range of Remaining Term (in months):	57-455
Weighted Average Original Term (in months):	333
Scheduled Weighted Average Life (in years): <sup>(3)</sup>	27.76

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(1) Rates at which interest is payable under the Pledged Loans.

(2) Based on the number of months remaining until the final maturity of the Pledged Loans, weighted by the principal balance of each Pledged Loans.

(3) The average number of years during which a dollar of principal will be outstanding for the Pledged Loans. The figure is based on scheduled payments, assuming no prepayments, on the Pledged Loans.

PLEDGED LOANS

SPONSOR	LOAN INCEPTION DATE	FINAL MATURITY DATE	INTEREST RATE	OUTSTANDING PRINCIPAL BALANCE
Ashley Valley Reservoir Co	09/01/06	12/01/47	1.00%	\$2,254,742
Brigham City	12/10/08	06/01/31	0.00	7,900,000
Brigham City	12/10/08	06/01/31	4.00	2,001,000
Centerville City	08/22/03	10/01/20	3.00	1,109,000
Central Utah WCD	01/12/94	10/01/14	0.00	3,925,000
Coalville City	06/12/01	09/01/26	1.00	1,770,224
Cub River Irrigation Co	11/20/08	12/01/30	2.00	1,300,315
Cub River Irrigation Co	12/11/06	12/01/34	2.00	1,227,677
Davis & Weber Counties Canal Co	11/06/08	09/01/39	2.60	3,200,000
Davis & Weber Counties Canal Co	10/24/07	12/01/18	4.00	2,906,754
Davis & Weber Counties Canal Co	04/04/05	12/01/41	3.60	4,030,755
Davis & Weber Counties Canal Co	01/08/04	12/01/36	3.60	4,216,047
Davis & Weber Counties Canal Co	10/26/01	09/01/32	3.60	2,056,503
Davis & Weber Counties Canal Co	10/31/00	09/01/32	3.60	867,997
Davis & Weber Counties Canal Co	12/31/96	03/01/35	7.75	3,507,104
Davis & Weber Counties Canal Co	12/20/91	03/01/29	5.00	4,884,000
Davis & Weber Counties Canal Co	10/05/89	03/01/27	5.00	8,300,000
Draper Irrigation Company	06/29/93	03/01/24	5.00	5,436,929
Duchesne County Upper Country WID	12/29/97	01/01/34	0.00	808,000
Duchesne County Upper Country WID	08/12/92	01/01/17	0.00	384,000
East Carbon City	09/07/95	07/01/16	5.00	1,615,000
East Juab County WCD	06/30/99	03/01/30	1.00	2,019,000
Elwood Town	06/16/06	09/01/31	3.50	1,515,000
Emigration Imp Dist	10/20/06	07/01/38	1.00	2,797,000
Enterprise City	01/20/00	03/01/25	1.00	1,171,000
Enterprise Res & Canal Co	08/05/82	03/01/24	3.00	1,309,275
Ephraim Irrigation Co	06/01/05	03/01/37	1.00	1,595,440
Ferron Canal & Reservoir Co	01/22/02	12/01/27	5.00	964,522
Grand County WCD	08/16/79	03/01/18	2.00	1,100,399
Grantsville City	04/02/96	03/01/16	5.00	269,000
Grantsville Irrigation Co	10/18/83	05/01/38	2.00	8,100,000
Hanna Water and Sewer Dist	03/01/05	04/01/41	0.00	1,295,000
Hooper Irrigation Co	02/17/09	09/01/39	1.00	4,770,000
Hooper Irrigation Co	05/01/03	09/01/30	3.00	5,158,151
Huntington - Cleveland Irr Co	01/29/07	12/01/41	2.00	1,029,800
Huntsville South Bench Canal Co	05/09/07	03/01/38	1.00	1,204,565
Hyde Park City	06/28/95	06/01/19	3.00	1,604,500

SPONSOR	LOAN INCEPTION DATE	FINAL MATURITY DATE	INTEREST RATE	OUTSTANDING PRINCIPAL BALANCE
Jordan Valley WCD <sup>1</sup>	-	-	-	0
Kamas City	05/23/07	01/01/32	3.00	1,843,000
Kamas City	12/20/94	01/01/21	0.00	921,000
Kanab City	05/15/98	01/01/19	2.00	657,769
Leeds Water Co	07/29/05	03/01/36	1.00	1,117,745
Magna Water Co An Imp Dist	05/23/03	09/01/28	1.00	911,573
Midway Irrigation Co	03/04/03	09/01/23	2.00	1,988,234
Midway Irrigation Co	02/22/99	03/01/36	2.00	4,552,434
Morgan Secondary Water Assoc	03/27/02	09/01/33	2.00	2,190,709
Nordic Mountain Water Inc	08/15/00	09/01/26	3.30	1,541,917
Oakley Town	11/12/96	09/01/21	0.00	740,000
Price City	01/17/03	07/01/28	1.50	2,288,000
Price River Water Imp Dist	04/19/96	04/01/15	0.00	710,000
Riverton City	03/30/00	01/01/20	0.00	858,000
Salem City	04/17/07	09/01/37	1.70	7,492,000
San Juan WCD	06/06/84	03/01/25	2.90	3,180,618
San Juan WCD	11/24/81	03/01/22	2.10	3,513,128
South Weber Irrigation Co	12/18/07	12/01/36	2.50	1,296,493
Spring City	02/17/98	03/01/20	0.00	602,000
St George & Washington Canal Co	11/22/05	03/01/36	1.00	8,227,382
Summit County Service Area #3	09/28/93	01/01/15	0.00	378,000
Summit Water Distribution Co	01/28/02	09/01/16	7.00	1,392,225
Taylor-West Weber WID	10/06/03	09/01/23	5.00	691,324
Tooele County	04/03/03	02/01/20	1.70	474,000
Trenton Town	05/26/04	09/01/29	0.00	1,069,000
Twin Creeks SSD	02/15/96	03/01/26	3.00	1,730,000
Uintah WCD	08/26/09	01/15/36	0.00	2,450,000
Uintah WCD	04/14/08	12/01/33	2.00	1,094,000
Washington County WCD	05/11/04	09/01/29	2.00	1,740,000
Weber Basin WCD	09/10/09	10/01/28	4.00	1,250,000
Weber Basin WCD	09/06/07	10/01/37	0.00	5,465,000
Weber - Box Elder Cons Dist	05/17/00	11/01/21	0.00	955,000
Weber - Box Elder Cons Dist	04/01/99	03/01/22	1.20	1,724,487
Weber - Box Elder Cons Dist	08/13/87	03/01/18	5.00	1,007,853
Wellington City	05/12/99	04/01/20	1.00	1,043,671

<sup>1</sup> This loan will be made shortly following the issuance of the Series 2010 Bonds. When issued, the loan will be for approximately \$3,600,000.

CONCENTRATION OF SPONSORS EXCEEDING 5% OF THE TOTAL PRINCIPAL AMOUNT OF PLEDGED LOANS

SPONSORS	NUMBER OF PLEDGED LOANS	AGGREGATE PRINCIPAL BALANCE	PERCENT OF TOTAL PRINCIPAL AMOUNT OF PLEDGED LOANS
Davis & Weber Counties Canal Co <sup>1</sup>	9	\$33,969,160	20.38%
Hooper Irrigation Co	2	9,928,151	5.96
Brigham City	2	9,901,000	5.94

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<sup>1</sup> Weber Basin Water Conservancy District has a 25% ownership interest in Davis & Weber Counties Canal Company.

## **APPENDIX B**

### **SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

The following contains extracts of certain provisions and definitions contained in the Indenture and is not to be considered as a full statement thereof. Reference is made to the Indenture for full details of the Indenture, terms of the Series 2010 Bonds and the security provisions appertaining thereto.

#### **Definitions**

As used in the Indenture, the following terms shall have the following meanings unless the context otherwise clearly indicates:

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

“Act” means, the State Financing Consolidation Act, Title 63B, Chapter 1b, Utah Code and the Utah Refunding Bond Act, Title 11, Chapter 27, Utah Code, each to the extent applicable.

“Additional Bonds” means all Bonds issued under the Indenture other than the Initial Bonds.

“Administrative Costs” means all Security Instrument Costs, Reserve Instrument Costs and Rebtable Arbitrage.

“Aggregate Annual Debt Service Requirement” means the total Debt Service (including any Repayment Obligations) for any one Bond Fund Year (or other specific period) on all Series of Bonds Outstanding or any specified portion thereof.

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

“Authorized Board Officer” means the chair of the Board, the Director or the Deputy Director or their designee or any other person authorized by the Board to perform the act or sign the document in question.

“Authorized Representative” means the Chair or Secretary of the Commission or the State Treasurer of the Issuer or any other officer of the Issuer certified in writing to the Trustee by the Issuer.

“Average Aggregate Annual Debt Service Requirement” means the total Aggregate Annual Debt Service Requirement for all Bond Fund Years divided by the total Bond Fund Years of the Bonds Outstanding or any specified portion thereof.

“Board” means the Board of Water Resources and any other agency, department or division of the State that succeeds to the Board’s rights, powers and duties as provided by law.

“Bond Fund” means the State of Utah Recapitalization Revenue Bond Fund created in the Indenture to be held by the Trustee and administered pursuant to the Indenture.

“Bond Fund Year” means the 12-month period beginning January 1 of each year and ending on the next succeeding December 31, except that the first Bond Fund Year shall begin on the date of delivery of the Initial Bonds and shall end on the next succeeding December 31.

“Bondholder,” “Bondowner,” “Registered Owner” or “Owner” means the registered owner of any Bonds in the Indenture authorized according to the registration books of the Issuer maintained by the Trustee as Registrar.

“Bonds” means bonds, notes, commercial paper or other obligations (other than Repayment Obligations) authorized by and at any time Outstanding pursuant to the Indenture, including the Initial Bonds and any Additional Bonds.

“Borrowing Political Subdivision” means any county, city, town, local district, improvement district, metropolitan water district, water conservancy district, special service district, drainage district, irrigation district, separate legal or administrative entity created under the Interlocal Cooperation Act, Title 11, Chapter 13 of the Utah Code Annotated 1953, as amended, or any other municipality, special district or other governmental body in the State (other than nonprofit agricultural organizations) that as of or after the date of Indenture created (but prior to the advance of any Water Project Loan) to whom the Board extends a Water Project Loan.

“Build America Bonds” means the interest subsidy bonds issuable by the Issuer under Sections 54AA and 6431 of the Code and a “qualified bond” under Section 54AA(g)(2) of the Code or such other tax credit bonds of substantially similar nature which may as of or after the date of Indenture be authorized.

“Business Day” means any day (i) (a) on which banking business is transacted, but not including any day on which banks are authorized to be closed in New York City or in the city in which the Trustee has its Principal Corporate Trust Office or, with respect to a related Series of Bonds, in the city in which any Security Instrument Issuer has its principal office for purposes of such Security Instrument and (b) on which the New York Stock Exchange is open, or (ii) as otherwise provided in a Supplemental Indenture.

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

“Cash Flow Statement” means a statement delivered to the Trustee by an Authorized Representative or the State’s financial advisor or underwriter on its behalf (a) setting forth, for the then current and each future Bond Fund Year during which Bonds will be Outstanding, and taking into account (i) any Bonds expected to mature or be issued or redeemed or purchased for cancellation in each such Bond Fund Year upon or in connection with the filing of such statement; (ii) any Repayment Obligations expected to be incurred upon or in connection with the filing of such statement; (iii) the interest rate, purchase price, discount points and other terms of all Pledged Loans; and (iv) the application, withdrawal or transfer of any moneys expected to be applied, withdrawn or transferred upon or in connection with the filing of such statement; (v) the amount of repayments expected to be received by the Issuer in each Bond Fund Year from Pledged Loans, together with related investment Revenues and other Revenues and moneys (including without limitation moneys in any special escrows established with the Trustee but excluding any Direct Payments) that are reasonably expected to be available to pay Debt Service; and (vi) the Aggregate Annual Debt Service Requirement on all Bonds and Repayment Obligations reasonably expected to be Outstanding; and (b) showing that in each Bond Fund Year (x) the aggregate of the amounts set forth in clause (a)(A) of the definition exceeds 125% of the aggregate of the amounts set forth in clause (a)(B) of the definition; and (y) the principal amount of Pledged Loans to be Outstanding exceeds 200% of the principal amount of Bonds to be Outstanding.

“Chair” means the chair of the Commission or any successor to the duties of such office.

“Code” means the Internal Revenue Code of 1986, as amended.

“Commission” means the State Bonding Commission.

“Cross-over Date” means, with respect to Cross-over Refunding Bonds, the date on which the Principal portion of the related Cross-over Refunded Bonds is to be paid or redeemed from the proceeds of such Cross-over Refunding Bonds.

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

“Cross-over Refunding Bonds” means Bonds issued for the purpose of refunding Bonds or other obligations if the proceeds of such Cross-over Refunding Bonds are irrevocably deposited in escrow in satisfaction of the requirements of Section 11-27-3, Utah Code, to secure the payment on an applicable redemption date or maturity date of the Cross-over Refunded Bonds (subject to possible use to pay Principal of the Cross-over Refunding Bonds under certain circumstances) and the earnings on such escrow deposit are required to be applied to pay interest on the Cross-over Refunding Bonds until the Cross-over Date.

“Current Interest Bonds” means all Bonds other than Capital Appreciation Bonds. Interest on Current Interest Bonds shall be payable periodically on the Interest Payment Dates provided therefor in a Supplemental Indenture.

“Debt Service” means, for any particular Bond Fund Year and for any Series of Bonds and any Repayment Obligations, an amount equal to the sum of (i) all interest payable during such Bond Fund Year on such Series of Bonds plus (ii) the Principal Installments payable during such Bond Fund Year on (a) such Bonds Outstanding, calculated on the assumption that Bonds Outstanding on the day of calculation cease to be Outstanding by reason of, but only by reason of, payment either upon maturity or application of any Sinking Fund Installments required by the Indenture, and (b) such Repayment Obligations then outstanding;

*provided, however*, for purposes of the definition of “Cash Flow Statement” and the issuance of Additional Bonds under the Indenture,

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

*and further provided*, that there shall be excluded from Debt Service (a) interest on Bonds (including Cross-over Refunding Bonds or Cross-over Refunded Bonds) to the extent that Escrowed Interest or capitalized interest is available to pay such interest, (b) Principal on Cross-over Refunded Bonds to the extent that the proceeds of Cross-over Refunding Bonds are on deposit in an irrevocable escrow in satisfaction of the requirements of Section 11-27-3, Utah Code, as amended, and such proceeds or the earnings thereon are required to be applied to pay such Principal (subject to the possible use to pay the Principal of the Cross-over Refunding Bonds under certain circumstances) and such amounts so required to be applied are sufficient to pay such Principal, and (c) Repayment Obligations to the extent that payments on Obligated Bonds relating to such Repayment Obligations satisfy the Issuer's obligation to pay such Repayment Obligations, and (d) all interest on Bonds to the extent of Direct Payments attributable to Debt Service on Outstanding Bonds or Additional Bonds proposed to be issued.

“Debt Service Reserve Fund” means the State of Utah Recapitalization Revenue Debt Service Reserve Fund created in the Indenture to be held by the Trustee and administered pursuant to the Indenture.

“Debt Service Reserve Requirement” means, with respect to each Series of Bonds issued pursuant to the Indenture, unless otherwise provided in the related Supplemental Indenture, an amount equal to the least of (a) ten percent (10%) of the proceeds of such Series of Bonds determined on the basis of original principal amount (unless original issue premium or original issue discount exceeds two percent (2%) of original Principal, then determined on the basis of initial purchase price to the public), (b) the maximum annual Debt Service during any Bond Fund Year for such Series of Bonds, and (c) one hundred twenty-five percent (125%) of the Average Annual Debt Service for such Series of Bonds; provided, however, that in the event any Series of Refunding Bonds is issued to refund only a portion and not all of the then Outstanding Bonds of any other Series issued pursuant to the Indenture (the “Prior Bonds”), then the portion of such Series of Prior Bonds that remain Outstanding immediately after the issuance of such Refunding Bonds and the portion of such Refunding Bonds that is allocable to the refunding of such Series of Prior Bonds may be combined and treated as a single Series for purpose of determining the Debt Service Reserve Requirement relating to such combined Series and the resulting requirement shall be allocated among the two (2) Series pro rata based upon the total principal amount remaining Outstanding for each Series. The Debt Service

Reserve Requirement may be funded by proceeds from the sale of such Series of Bonds, by a Reserve Instrument as in the Indenture provided or, if provided in the related Supplemental Indenture, may be accumulated over time. Each account of the Debt Service Reserve Fund shall only be used with respect to the related Series of Bonds.

“Direct Obligations” means noncallable Government Obligations.

“Direct Payments” means the interest subsidy payments received by the Issuer from the Internal Revenue Service pursuant to Section 6431 of the Code or other similar programs with respect to Bonds issued under the Indenture.

“Division of Finance” means the Division of Finance of the Department of Administration Services of the State.

“Division of Finance Officer” means the officer within the Division of Finance whose position and responsibilities are set forth in Section 63B-1b-202 of the Act and any officer or other person who succeeds to his or her duties and responsibilities as provided by law.

“Escrowed Interest” means amounts irrevocably deposited in escrow in accordance with the requirements of Section 11-27-3, Utah Code, in connection with the issuance of refunding bonds or Cross-over Refunding Bonds secured by such amounts or earnings on such amounts which are required to be applied to pay interest on such Cross-over Refunding Bonds or the related Cross-over Refunded Bonds.

“Event of Default” means with respect to any default or event of default under the Indenture any occurrence or event specified in and defined by the Indenture.

“Fitch” means Fitch Ratings.

“Government Obligations” means solely one or more of the following:

- (a) State and Local Government Series issued by the United States Treasury (“SLGS”);
- (b) United States Treasury bills, notes and bonds, as traded on the open market;
- (c) Zero Coupon United States Treasury Bonds; and
- (d) Any other direct obligations of or obligations fully and unconditionally guaranteed by, the United States of America (including, without limitation, obligations commonly referred to as “REFCORP strips”).

“Indenture” means the General Indenture of Trust as from time to time amended or supplemented by Supplemental Indentures in accordance with the terms of the Indenture.

“Initial Bonds” means the first Series of Bonds issued under the Indenture.

“Interest Payment Date” means the stated payment date of an installment of interest on the Bonds.

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

“Issuer” means the State of Utah.

“Moody’s” means Moody’s Investors Service, Inc.

“MSRB” means the Municipal Securities Rulemaking Board.

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

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

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

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

“Owner(s)” or “Registered Owner(s)” means the registered owner(s) of the Bonds according to the registration books of the Issuer maintained by the Trustee as Registrar for the Bonds pursuant to the Indenture.

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

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

“Pledged Loan Fund” means the State of Utah Recapitalization Pledged Loan Fund created in the Indenture to be held by the Trustee and administered pursuant to the Indenture.

“Pledged Loans” means those bonds, notes, loan agreements, contracts, or other evidence of indebtedness (including all amounts payable on or with respect to them) pledged under the Indenture, as further described in each Supplemental Indenture, including any Substitute Pledged Loans, but excluding any Released Loans.

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

“Principal Corporate Trust Office” means, with respect to the Trustee, the office of the Trustee at 299 South Main Street, 2<sup>nd</sup> Floor, MAC: U1228-023, Salt Lake City, Utah 84111, or such other or additional offices as may be specified by the Trustee.

“Principal Installment” means, as of any date of calculation, (i) with respect to any Series of Bonds, so long as any Bonds thereof are Outstanding, (a) the Principal amount of Bonds of such Series due on a certain future date for which no Sinking Fund Installments have been established, or (b) the unsatisfied balance of any Sinking Fund Installment due on a certain future date for Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a Principal

amount equal to such unsatisfied balance of such Sinking Fund Installment and (ii) with respect to any Repayment Obligations, the principal amount of such Repayment Obligations due on a certain future date.

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

“Qualified Investments” means any of the following securities:

- (a) Government Obligations;
- (b) Obligations of any of the following federal agencies which obligations represent full faith and credit obligations of the United States of America including: the Export-Import Bank of the United States; the Government National Mortgage Association; the Federal Financing Bank; the Farmer’s Home Administration; the Federal Housing Administration; the Maritime Administration; General Services Administration, Small Business Administration; or the Department of Housing and Urban Development (PHA’s);
- (c) Money market funds rated “AAAm” or “AAAm-G” or better by S & P and/or the equivalent rating or better of Moody’s (if so rated), including money market funds from which the Trustee or its affiliates derive a fee for investment advisory services to the fund;
- (d) 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;
- (e) Bonds, notes or other evidences of indebtedness rated “AAA” by S & P and “Aaa” by Moody’s issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years;
- (f) U.S. dollar denominated deposit accounts, federal funds and banker’s acceptances with domestic commercial banks, including the Trustee and its affiliates, which have a rating on their short term certificates of deposit on the date of purchase of “A-1” or “A 1+” by S & P and “P-1” by Moody’s and maturing no more than 360 days after the date of purchase (ratings on holding companies are not considered as the rating of the bank);
- (g) The fund held by the Treasurer for the State of Utah and commonly known as the Utah State Public Treasurer’s Investment Fund; and
- (h) Any other investments or securities permitted for investment of public funds under the State Money Management Act of 1974, Title 51, Chapter 7, Utah Code, Annotated 1953, as amended, including investments contracts permitted by Section 51-7-17(2)(d) thereof.

“Qualifying Entity” means (i) with respect to Water Project Loans made from Tax-Exempt Bonds or Build America Bonds proceeds, a Borrowing Political Subdivision and (ii) with respect to Water Project Loans made from Taxable Bonds proceeds or otherwise, any person or entity to whom a Water Project Loan may be legally made.

“Rating Agency” means Fitch, Moody’s or S & P and their successors and assigns, but only to the extent such rating agency is then providing a rating on a Series of Bonds issued under the Indenture at the request of the Issuer. If any such Rating Agency ceases to act as a securities rating agency, the Issuer may designate any nationally recognized securities rating agency as a replacement.

“Rating Category” or “Rating Categories” mean one or more of the generic rating categories of a Rating Agency, without regard to any refinement or gradation of such rating category or categories by a numerical modifier or otherwise.

“Rebatable Arbitrage” means with respect to any Series of Bonds where (i) the interest thereon is intended to be excludable from gross income for federal income tax purposes or (ii) any Series of Bonds issued as Build America Bonds, the amount (determinable as of each Rebate Calculation Date) of rebatable arbitrage payable to the United States at the times and in the amounts specified in Section 148(f)(3) of the Code and Section 1.148-3 of the Regulations.

“Rebate Calculation Date” means, with respect to any Series of Bonds where (i) the interest thereon is intended to be excludable from gross income for federal income tax purposes or (ii) Direct Payments are applicable, the Interest Payment Date next preceding the fifth anniversary of the issue date of such Series of Bonds, each fifth anniversary of the initial rebate calculation date for such Series of Bonds, and the date of retirement of the last Bond for such Series.

“Rebate Fund” means the State of Utah Recapitalization Revenue Rebate Fund created in Section 3.6 of the Indenture to be held by the Trustee and administered pursuant to the Indenture.

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

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

“Regulations,” and all references thereto means the applicable final, proposed and temporary United States Treasury Regulations promulgated with respect to Sections 103 and 141 through 150 of the Code, including all amendments thereto made after the date of the Indenture.

“Released Loans” means loans that have been released from Pledged Loans pursuant to the terms of the Indenture.

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

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

“Reserve Instrument” means a device or instrument issued by a Reserve Instrument Provider to satisfy all or any portion of the Debt Service Reserve Requirement applicable to a Series of Bonds. The term “Reserve Instrument” includes, by way of example and not of limitation, letters of credit, bond insurance policies, surety bonds, standby bond purchase agreements, lines of credit and other devices.

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

“Reserve Instrument Costs” means all fees, premiums, expenses and similar costs, other than Reserve Instrument Repayment Obligations, required to be paid to a Reserve Instrument Provider pursuant to a Reserve Instrument Agreement. Each Reserve Instrument Agreement shall specify the fees, premiums, expenses and costs constituting Reserve Instrument Costs.

“Reserve Instrument Coverage” means, as of any date of calculation, the aggregate amount available to be paid to the Trustee pursuant to the Indenture under all Reserve Instruments.

“Reserve Instrument Fund” means the State of Utah Recapitalization Revenue Reserve Instrument Fund created in the Indenture to be held by the Trustee and administered pursuant to the Indenture.

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

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

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

“Revenue Fund” means the State of Utah Recapitalization Revenue Fund created in the Indenture to be held by the Issuer and administered pursuant to the Indenture.

“Revenues” means (i) all income, revenues, issues, profits and other sums of money derived under or with respect to the Pledged Loans, including all amounts payable as premium, principal and interest on or with respect to them, except appropriations made by the legislature of the State for deposit in the Debt Service Reserve Fund or otherwise and (ii) Direct Payments.

“S & P” means Standard & Poor’s Rating Services.

“Secretary” means the Secretary of the Commission and any successor to the duties of such office.

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

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

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

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

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

“Series” means all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Supplemental Indenture authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefor.

“Sinking Fund Account” means the State of Utah Recapitalization Revenue Sinking Fund Account of the Bond Fund created in the Indenture to be held by the Trustee and administered pursuant to the Indenture.

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

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

“State” means the State of Utah.

“Substitute Pledged Loans” means any bonds, notes, contracts and other evidences of indebtedness of any Qualifying Entity delivered to the Trustee by the Board (on behalf of the Issuer) in substitution for any Pledged Loans.

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

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

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

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

“Taxable Bonds” means Bonds the interest on which is includible in gross income for federal income tax purposes (but does not include Build America Bonds).

“Tax-Exempt Bonds” means (i) Build America Bonds and (ii) Bonds the interest on which is excludible from gross income for federal income tax purposes.

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

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

“Trustee” means Wells Fargo Bank, N.A., or any successor corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at any time serving as successor trustee under the Indenture.

“Utah Code” means Utah Code Annotated 1953, as amended.

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

“Water Project” means any work or facility necessary or desirable to conserve, develop, protect or treat the waters of the State, including, without limitation, any reservoir, diversion dam, irrigation dam and system, culinary water system, water work, water treatment facility, canal, ditch, aqueduct, pipeline and related structures and facilities.

“Water Project Loan” means a loan for a Water Project made by the Board to a Qualifying Entity pursuant to applicable State law.

### **Indenture to Constitute Contract**

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

### **Execution; Limited Obligation**

Unless otherwise specified in the related Supplemental Indenture, the Bonds of any Series shall be executed on behalf of the Issuer with the manual or official facsimile signature of the State Treasurer, countersigned with the manual or official facsimile signature of the Lt. Governor of the State, and shall have impressed or imprinted thereon the Great Seal of the State. In case any officer, the facsimile of whose signature shall appear on the Bonds, shall cease to be such officer before the delivery of such Bonds, such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he had remained in office until delivery.

The Bonds, together with interest thereon, and all Repayment Obligations shall be limited obligations of the Issuer payable solely from the Revenues (except to the extent paid out of moneys attributable to the Bond proceeds or other funds created under the Indenture (except the Rebate Fund) or the income from the temporary investment thereof) and secured by a pledge of the Pledged Loans and the rights of the Issuer thereunder (including all amounts payable on or with respect to them), including, without limitation, all payments of principal and interest pursuant to the Pledged Loans. The Bonds shall be a valid claim of the Registered Owners thereof only against the Revenues, Pledged Loans and other moneys in funds and accounts held by the Trustee under the Indenture (except the Rebate Fund) and the Issuer by the Indenture pledges and assigns the same for the equal and ratable payment of the Bonds and all Repayment Obligations, and the Revenues shall be used for no other purpose than to pay the principal of, premium, if any, and interest on the Bonds and to pay the Repayment Obligations, except as may be otherwise expressly authorized in the Indenture or by Supplemental Indenture. Neither the Issuer (except to the extent described above) nor any agency or political subdivision of the Issuer is obligated to pay the Bonds, and neither the faith and credit nor the taxing power of the Issuer or any political subdivision thereof is pledged to the payment of principal of or premium, if any, or interest on the Bonds. The Bonds and interest thereon do not constitute or give rise to a general obligation or liability of the Issuer or a charge against its general credit or taxing powers, and the Bonds do not constitute a debt of the Issuer within the meaning of any State constitutional restriction or statutory limitation.

## **Nonpresentation of Bonds**

Unless otherwise provided by Supplemental Indenture, in the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof, if funds sufficient to pay such Bond shall have been made available to the Trustee, all liability of the Issuer to the Registered Owner thereof for the payment of such Bond shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such fund or funds, without liability to the Registered Owner of such Bond for interest thereon, for the benefit of the Registered Owner of such Bond who shall thereafter be restricted exclusively to such fund or funds for any claim of whatever nature on his part under the Indenture or on, or with respect to, said Bond. If any Bond shall not be presented for payment within four years following the date when such Bond becomes due, whether by maturity or otherwise, the Trustee shall, to the extent permitted by law, repay to the Issuer the funds theretofore held by it for payment of such Bond, and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the Issuer, and the Registered Owner thereof shall be entitled to look only to the Issuer for payment, and then only to the extent of the amount so repaid, and the Issuer shall not be liable for any interest thereon and shall not be regarded as a trustee of such money. The provisions of the Section 2.11 are subject to the provisions of Title 67, Chapter 4a, Utah Code Annotated 1953, as amended.

## **Issuance of Additional Bonds**

No additional indebtedness, bonds or notes of the Issuer secured by a pledge of the Revenues and Pledged Loans senior to the pledge of Revenues for the payment of the Bonds and the Security Instrument Repayment Obligations in the Indenture authorized shall be created or incurred without the prior written consent of the Owners of 100% of the Outstanding Bonds and the Security Instrument Issuers. In addition, no Additional Bonds or other indebtedness, bonds or notes of the Issuer payable on a parity with the Bonds and the Security Instrument Repayment Obligations in the Indenture authorized out of Revenues and Pledged Loans shall be created or incurred, unless the following requirements have been met:

(a) No Event of Default shall have occurred and be continuing under the Indenture on the date of authentication of any Additional Bonds. This subsection (a) shall not preclude the issuance of Additional Bonds if (i) the issuance of such Additional Bonds otherwise complies with the provisions of the Indenture and (ii) such Event of Default will cease to continue upon the issuance of Additional Bonds and the application of the proceeds thereof; and

(b) A Cash Flow Statement shall be delivered to the Trustee; and

(c) All payments required by the Indenture to be made into the Bond Fund must have been made in full, and there must be on deposit in each account of the Debt Service Reserve Fund (taking into account any Reserve Instrument coverage) the full amount required to be accumulated therein at the time of issuance of the Additional Bonds.

## **Covenant Against Creating or Permitting Liens**

Except for the pledge of Revenues to secure payment of the Bonds and Repayment Obligations under the Indenture, the Revenues are and shall be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto; provided, however, that nothing contained in the Indenture shall prevent the Issuer from issuing, if and to the extent permitted by law, indebtedness having a lien on Revenues subordinate to that of the Bonds and Repayment Obligations. The Issuer will not create, and will use its best efforts to prevent the creation of, any lien upon the Pledged Loans, except as provided in the Indenture.

## **Use of Pledged Loan Fund**

(a) All Pledged Loans shall be held by the Trustee (or the Division of Finance as custodial agent for the Trustee) in the Pledged Loan Fund.

(b) The Trustee and the Issuer shall keep and maintain adequate records pertaining to each account within the Pledged Loan Fund and all deposits, substitutions, and disbursements therefrom.

### **Application of Revenues**

All Revenues shall be accounted for by the Issuer in the Revenue Fund separate and apart from all other moneys of the Issuer.

(a) So long as any Bonds are Outstanding and as a first charge and lien on the Revenues, the Issuer shall, at least 15 days before each Interest Payment Date, transfer from the Revenue Fund to the Trustee for deposit to the Bond Fund an amount equal to:

(i) the interest falling due on the Bonds on the next succeeding Interest Payment Date established for the Bonds (provided, however, that so long as there are moneys representing capitalized interest on deposit with the Trustee to pay interest on the Bonds next coming due or Direct Payments on deposit in the Bond Fund, the Issuer need not allocate to the Revenue Fund to pay interest on the Bonds); plus

(ii) if principal is due on the Bonds within the next succeeding 12 months, approximately one-half of the principal and premium, if any, falling due on the next succeeding principal payment date established for the Bonds; plus

(iii) if a Sinking Fund Installment is due on the Bonds within the next succeeding 12 months, approximately one-half of any Sinking Fund Installment falling due on the next succeeding Sinking Fund Installment payment date; plus

(iv) Administrative Costs which shall be paid by the Issuer from time to time as they become due and payable;

the sum of which shall be sufficient, when added to the existing balance in the Bond Fund, to pay the principal of, premium, if any, and interest on the Bonds promptly on each such Interest Payment Date as the same become due and payable and to pay Administrative Costs. The foregoing provisions may be revised by a Supplemental Indenture for any Series of Bonds having other than semiannual Interest Payment Dates.

(b) As a second charge and lien on the Revenues, the Issuer shall make the following transfers to the Trustee on or before the fifteenth day of each month of each year:

(i) To the extent the Debt Service Reserve Requirement, if any, is not funded with a Reserve Instrument or Instruments, (A) to the accounts in the Debt Service Reserve Fund any amounts required by the Indenture and by any Supplemental Indenture to accumulate therein the applicable Debt Service Reserve Requirement with respect to each Series of Bonds at the times and in the amounts provided in the Indenture and in any Supplemental Indenture and (B) if funds shall have been withdrawn from an account in the Debt Service Reserve Fund or any account in the Debt Service Reserve Fund is at any time funded in an amount less than the applicable Debt Service Reserve Requirement, the Issuer shall deposit Revenues in such account(s) in the Debt Service Reserve Fund sufficient in amount to restore such account(s) within one year with twelve (12) substantially equal payments during such period (unless otherwise provided for by the Supplemental Indenture governing the applicable Debt Service Reserve Requirement); or a ratable portion (based on the amount to be transferred pursuant to subsection (b)(ii) below) of remaining Revenues if less than the amount necessary, and

(ii) Equally and ratably to the accounts of the Reserve Instrument Fund, with respect to all Reserve Instruments which are in effect and are expected to continue in effect after the end of such month, such amount of the remaining Revenues, or a ratable portion (based on the amount to be transferred pursuant to subsection (b)(i) above) of the amount so remaining if less than the amount necessary, that is

required to be paid, on or before the next such monthly transfer or deposit of Revenues into the Reserve Instrument Fund, to the Reserve Instrument Provider pursuant to any Reserve Instrument Agreement, other than Reserve Instrument Costs, in order to cause the Reserve Instrument Coverage to equal the Reserve Instrument Limit, such that the Reserve Instrument Coverage shall equal the Reserve Instrument Limit within one year from any draw date under the Reserve Instrument.

(c) Revenues received from any prepayment of a Pledged Loan, which prepayment is (i) not contemplated by the most recent Cash Flow Statement filed with the Trustee and (ii) not needed for the purposes described above, shall be retained by the Issuer in the Revenue Fund until used as follows: (x) if, as provided in the Indenture, there is a delivered to the Trustee Substitute Pledged Loans and a Cash Flow Statement contemplating the same all or a portion of such prepayments (as shown in the Cash Flow Statement) may be released to the Board to make additional Project Loans; or (y) to pay principal of or interest on or redeem Bonds to the extent necessary to allow delivery of a Cash Flow Statement.

The Revenues remaining after the foregoing deposits and transfers following each Interest Payment Date and not required to be used for remedying any deficiencies in payments previously made into the Funds established by the Indenture, and not required by or relied upon in the most recently filed Cash Flow Statement, may be released from the lien of the Indenture and used at any time for any other lawful purpose.

#### **Use of Bond Fund**

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

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

- (i) accrued interest received upon the issuance of any Series of Bonds;
- (ii) all moneys payable by the Issuer as specified in the Indenture;
- (iii) all moneys transferred from the Debt Service Reserve Fund or from a Reserve Instrument or Instruments then in effect as provided in the Indenture; and
- (iv) all other moneys received by the Trustee under the Indenture when accompanied by directions from the person depositing such moneys that such moneys are to be paid into the Bond Fund.

(b) Except as provided elsewhere in the Indenture and except as otherwise provided by Supplemental Indenture, moneys in the Bond Fund shall be expended solely for the following purposes and in the following order of priority:

- (i) on or before each Interest Payment Date for each Series of Bonds, the amount required to pay the interest due on such date;
- (ii) on or before each Principal Installment due date, the amount required to pay the Principal Installment due on such due date; and
- (iii) on or before each redemption date for each Series of Bonds, the amount required to pay the redemption price of and accrued interest on such Bonds then to be redeemed.

Such amounts shall be applied by the Paying Agent to pay Principal Installments and redemption price of, and interest on the related Series of Bonds.

The Trustee shall pay out of the Bond Fund to the Security Instrument Issuer, if any, that has issued a Security Instrument with respect to such Series of Bonds an amount equal to any Security Instrument Repayment

Obligation then due and payable to such Security Instrument Issuer. Except as otherwise specified in a related Supplemental Indenture all such Security Instrument Repayment Obligations shall be paid on a parity with the payments to be made with respect to principal and interest on the Bonds; provided that amounts paid under a Security Instrument shall be applied only to pay the related Series of Bonds. If payment is so made on Obligated Bonds held for the benefit of the Security Instrument Issuer, a corresponding payment on the Security Instrument Repayment Obligation shall be deemed to have been made (without requiring an additional payment by the Issuer) and the Trustee shall keep its records accordingly.

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

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

#### **Use of Sinking Fund Account**

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

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

#### **Use of Debt Service Reserve Fund**

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

In the event funds on deposit in an account of the Debt Service Reserve Fund are needed to make up any deficiencies in the Bond Fund, and there is insufficient cash available in such account of the Debt Service Reserve

Fund to make up such deficiency and Reserve Instruments applicable to such Series are in effect, the Trustee shall immediately make a demand for payment on such Reserve Instruments, to the maximum extent authorized by such Reserve Instruments, in the amount necessary to make up such deficiency, and immediately deposit such payment upon receipt thereof into the Bond Fund. Thereafter, the Issuer shall be obligated to reinstate the Reserve Instrument as provided in the Indenture.

No Reserve Instrument shall be allowed to expire or terminate while the related Series of Bonds are Outstanding unless and until cash has been deposited into the related account of the Debt Service Reserve Fund, or a new Reserve Instrument has been issued in place of the expiring or terminating Reserve Instrument, or any combination thereof in an amount or to provide coverage, as the case may be, at least equal to the amount required to be maintained in the related account of the Debt Service Reserve Fund.

Moneys at any time on deposit in the account of the Debt Service Reserve Fund in excess of the amount required to be maintained therein (taking into account the amount of related Reserve Instrument Coverage) shall be transferred by the Trustee to the Bond Fund at least once each year.

Moneys on deposit in any account of the Debt Service Reserve Fund shall be used to make up any deficiencies in the Bond Fund only for the Series of Bonds secured by said account and any Reserve Instrument shall only be drawn upon with respect to Bonds for which such Reserve Instrument was obtained.

#### **Use of Reserve Instrument Fund**

There shall be paid into the Reserve Instrument Fund the amounts required by the Indenture and by a Supplemental Indenture to be so paid. The amounts in the Reserve Instrument Fund shall, from time to time, be applied by the Trustee on behalf of the Issuer to pay the Reserve Instrument Repayment Obligations which are due and payable to any Reserve Instrument Provider under any applicable Reserve Instrument Agreement. The Issuer may, upon obtaining an approving opinion of bond counsel to the effect that such transaction will not adversely affect the tax-exempt status or Build America Bond status of any outstanding Tax-Exempt Bonds, replace any amounts required to be on deposit in the Debt Service Reserve Fund with a Reserve Instrument and use such amounts for the related Project or to pay principal on the related Bonds.

#### **Use of Rebate Fund**

(a) If it becomes necessary for the Issuer to comply with the rebate requirements of the Code and the Regulations, the Trustee shall establish and thereafter maintain, so long as the Bonds which are subject to said rebate requirements are Outstanding, a Rebate Fund, which shall be held separate and apart from all other funds and accounts established under the Indenture and from all other moneys of the Trustee.

(b) All amounts in the Rebate Fund, including income earned from investment of the fund, shall be held by the Trustee free and clear of the lien of the Indenture. In the event the amount on deposit in the Rebate Fund exceeds the aggregate amount of Rebatable Arbitrage for one or more Series of Bonds, as verified in writing by an independent public accountant or other qualified professional at the time the Rebatable Arbitrage is determined, the excess amount remaining after payment of the Rebatable Arbitrage to the United States shall, upon the Issuer's written request accompanied by the determination report, be paid by the Trustee to the Board.

(c) The Issuer shall determine the amount of Rebatable Arbitrage and the corresponding Required Rebate Deposit with respect to each Series of Bonds on each applicable Rebate Calculation Date and take all other actions necessary to comply with the rebate requirements of the Code and the Regulations. The Issuer shall deposit into the Rebate Fund the Required Rebate Deposit, if any, with respect to each Series of Bonds (or instruct the Trustee to transfer to the Rebate Fund moneys representing such Required Rebate Deposit from the funds and Accounts held under the Indenture other than the Rebate Fund) or shall otherwise make payment of the rebate to be paid to the United States at the times required by the Code and the Regulations. If applicable, the Issuer shall instruct in writing the Trustee to withdraw from the Rebate Fund and pay any rebate over to the United States. The determination of Rebatable Arbitrage made with respect to each such payment date and with respect to any

withdrawal and payment to the Issuer from the Rebate Fund pursuant to the Indenture must be verified in writing by an independent public accountant or other qualified professional. The Trustee may rely conclusively upon and shall be fully protected from all liability in relying upon the Issuer's determinations, calculations and certifications required by this Section and the Trustee shall have no responsibility to independently make any calculations or determination or to review the Issuer's determinations, calculations and certifications required by this Section.

(d) The Trustee shall, at least 60 days prior to each Rebate Calculation Date, notify the Issuer of the requirements of this Section. By agreeing to give the notice, the Trustee assumes no responsibility whatsoever for compliance by the Issuer with the requirements of Section 148 of the Code or any successor. The Issuer expressly agrees that (notwithstanding any other provision of the Indenture) any failure of the Trustee to give any such notice, for any reason whatsoever, shall not cause the Trustee to be responsible for any failure of the Issuer to comply with the requirements of said Section 148 or any successor thereof.

(e) The provisions of this Section may be amended or deleted without Bondowner consent or notice, upon receipt by the Issuer and the Trustee of an opinion of nationally recognized bond counsel that such amendment or deletion will not adversely affect the excludability from gross income of interest on the Bonds or the status of the Bonds as Build America Bonds.

### **Investment of Funds**

Any moneys in the Bond Fund, the Pledged Loan Fund, the Rebate Fund, the Reserve Instrument Fund and the Debt Service Reserve Fund shall, at the discretion and authorization of the Issuer, be invested by the Trustee in Qualified Investments; provided, however, that moneys on deposit in the Bond Fund and the Reserve Instrument Fund may only be invested in Qualified Investments having a maturity date one year or less. If no written authorization is given to the Trustee, moneys shall be held uninvested. Such investments shall be held by the Trustee, and when the Trustee determines it necessary to use the moneys in the funds for the purposes for which the funds were created, it shall liquidate at prevailing market prices as much of the investments as may be necessary and apply the proceeds to such purposes. All income derived from the investment of the Pledged Loan Fund, Bond Fund, the Reserve Instrument Fund and Rebate Fund shall be maintained in said respective funds and disbursed along with the other moneys on deposit therein as in the Indenture provided. All income derived from the investment of the Debt Service Reserve Fund shall be disbursed in accordance with the Indenture. All moneys in the Revenue Fund may, at the discretion of the Issuer, be invested by the Issuer in Qualified Investments.

The Trustee shall have no liability or responsibility for any loss resulting from any investment made in accordance with the provisions of this Section. The Trustee shall be entitled to assume that any investment, which at the time of purchase is a Qualified Investment, remains a Qualified Investment thereafter, absent receipt of written notice or information to the contrary.

The Trustee may, to the extent permitted by the State Money Management Act of 1974, Title 51, Chapter 7, Utah Code make any and all investments permitted by the provisions of the Indenture through its own or any of its affiliate's investment departments.

The Issuer acknowledges that to the extent regulations of the comptroller of the currency or any other regulatory entity grants the Issuer the right to receive brokerage confirmations of the security transactions as they occur, the Issuer specifically waives receipt of such confirmations to the extent permitted by law. The Trustee shall furnish the Issuer periodic cash transaction statements which include the detail for all investment transactions made by the Trustee under the Indenture.

In the event the Issuer shall be advised by nationally recognized municipal bond counsel that it is necessary to restrict or limit the yield on the investment of any moneys paid to or held by the Trustee in order to avoid the Bonds, or any Series thereof, being considered "arbitrage bonds" within the meaning of the Code or the Treasury Regulations proposed or promulgated therein, or to otherwise preserve (i) the excludability of interest payable or paid on any Bonds from gross income for federal income tax purposes or (ii) the status of any Bonds issued as Build America Bonds, the Issuer may require in writing the Trustee to take such steps as it may be advised by such

counsel are necessary so to restrict or limit the yield on such investment, irrespective of whether the Trustee shares such opinion, and the Trustee agrees that it will take all such steps as the Issuer may require.

### **Trust Funds**

All moneys and securities received by the Trustee under the provisions of the Indenture shall be trust funds under the terms of the Indenture and shall not be subject to lien or attachment of any creditor of the State or any political subdivision, body, agency, or instrumentality thereof or of the Issuer and shall not be subject to appropriation by any legislative body or otherwise. Such moneys and securities shall be held in trust and applied in accordance with the provisions of the Indenture. Except as provided otherwise in the Indenture with respect to the use of the Rebate Fund, unless and until disbursed pursuant to the terms of the Indenture, all such moneys and securities (and the income therefrom) shall be held by the Trustee as security for payment of the principal of, premium, if any, and interest on the Bonds and the fees and expenses of the Trustee payable under the Indenture.

### **Method of Valuation and Frequency of Valuation**

In computing the amount in any fund or account, Qualified Investments shall be valued at market, exclusive of accrued interest. With respect to all funds and accounts, valuation shall occur annually, except in the event of a withdrawal from the Debt Service Reserve Fund, whereupon securities shall be valued immediately after such withdrawal.

### **Custody of Pledged Loans**

(a) The Issuer pledges and assigns the Pledged Loans to the Trustee for deposit in the Pledged Loan Fund, subject to the lien of the Indenture. The Division of Finance Officer shall act as the custodial agent for the Trustee and be responsible for the care, custody, safekeeping, collection and accounting of all Pledged Loans to the extent as such responsibilities are imposed pursuant to Section 63B-1b-202 of the Act on the Division of Finance Officer in connection with bonds, notes, contracts, trust documents and other evidences of indebtedness of political subdivisions and other local governmental entities owned by the State or any of its agencies.

(b) As evidence of the pledge of the Pledged Loans to secure payment of principal of and interest on the Bonds, the Division of Finance Officer is authorized and directed by the Indenture to affix by separate attachment to each of the Pledged Loans and any Substitute Pledged Loans delivered as provided in the Indenture a legend in substantially the following form:

THIS [BOND] [LOAN] [SECURITY] HAS BEEN PLEDGED BY THE STATE OF UTAH AS SECURITY FOR PAYMENT OF CERTAIN REVENUE BONDS OF THE STATE OF UTAH AS PROVIDED IN THE GENERAL INDENTURE OF TRUST DATED AS OF DECEMBER 1, 2009, AS SUPPLEMENTED AND AMENDED (THE "INDENTURE") BETWEEN THE STATE OF UTAH AND \_\_\_\_\_, AS TRUSTEE (THE "TRUSTEE").

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(c) The Division of Finance Officer is authorized by the Indenture to detach from any Released Loans the legend required by subsection (b) of this Section upon its release from the lien and pledge of the Indenture pursuant to the Indenture.

### **Withdrawal from Pledge of Pledged Loans**

So long as no Event of Default under the Indenture has occurred and is continuing, the Issuer and the Board may, from time to time and at any time, without consent of the owners of the Bonds, withdraw any one or more of the Pledged Loans from the lien and pledge of the Indenture; provided, however, that no such withdrawal shall be

effected until the Board has (i) substituted in accordance with the Indenture Substitute Pledged Loans on behalf of the Issuer for the Pledged Loans to be withdrawn, or (ii) delivered an updated and compliant Cash Flow Statement.

### **Substitution of Substitute Pledged Loans**

(a) Prior to the release of Pledged Loans from the lien and pledge of the Indenture as provided in the Indenture and the release of such lien and pledge as provided in the Indenture, the Board, on behalf of the Issuer, shall direct the Division of Finance Officer to assign and pledge Substitute Pledged Loans in substitution for Pledged Loans then held subject to the lien and pledge of the Indenture upon satisfaction of the following conditions:

(i) the Board shall obtain the written approval from an Authorized Representative of the Issuer of the Substitute Pledged Loans to be substituted;

(ii) delivery to the Division of Finance Officer, the Trustee and the Authorized Representative of a written certificate of an Authorized Board Officer to the effect that the borrower thereunder the proposed Substitute Pledged Loans is not then in default with respect to any installments payable thereunder;

(iii) delivery to the Division of Finance Officer and the Trustee of a written certificate of an Authorized Representative of the Issuer and an Authorized Board Officer to the effect that (A) the amount to be paid annually for the proposed Substitute Pledged Loans is not less than the amount that would have been paid annually for the Pledged Loans proposed to be released, (B) the proposed Substitute Pledged Loans are free and clear of any lien, security interest, pledge or other encumbrances and may be transferred to the Trustee and pledged as security for the Bonds and (C) no Event of Default has occurred under the Indenture and is then continuing; and

(iv) delivery to the Division of Finance Officer and the Trustee of a supplement to the Indenture executed by an Authorized Board Officer, the Division of Finance Officer, an Authorized Representative, and the Trustee, describing the Substitute Pledged Loans and the Pledged Loans to be released.

As an alternative to the Substitution of Pledged Loans as provided above, the Issuer may provide for the payment, redemption or defeasance of Bonds in an amount (if any) sufficient to permit compliance with the most recently filed Cash Flow Statement.

(b) Unless the Issuer can deliver an updated and compliant Cash Flow Statement, the Issuer and the Board shall, from and to the extent of available Water Project Loans meeting the requirements of the Indenture and the Act, substitute Substitute Pledged Loans for Pledged Loans where such Pledged Loans (1) have been, or are to be, prepaid in accordance with a notice of optional prepayment provided pursuant to the terms of the authorizing documents of such Pledged Loans, (2) have become due or are about to become due without sufficient funds being available to make payment thereon, or (3) have experienced circumstances that, in the judgment of the Board, requires that the borrower under such Pledged Loans be provided relief from the terms thereof in order to meet its obligations thereunder.

(c) Unless the Issuer can deliver an updated and compliant Cash Flow Statement, the Issuer and the Board shall, from and to the extent of available Water Project Loans meeting the requirements of the Indenture and the Act, substitute Substitute Pledged Loans within 30 days for any Pledged Loans where any installments on such Pledged Loans are more than 90 days delinquent. In the event that the Issuer and the Board cannot substitute any Substitute Pledged Loans, then the Issuer and the Board shall retain excess Revenues in the Revenue Fund and either redeem or defease Bonds until they can deliver a compliant Cash Flow Statement.

### **Release of Lien and Pledge**

The Trustee shall release the pledge and lien granted by the Indenture with respect to any Pledged Loans (then Released Loans) and shall deliver the Released Loans to or at the direction of the Board, acting on behalf of the Issuer. The Trustee shall execute such instruments and documents as may be necessary to evidence the release of such Released Loans so withdrawn and released from the pledge and lien granted in the Indenture.

### **Amendments, etc., to the Pledged Loans Not Requiring Consent of Bondholders**

The Board on behalf of the Issuer may, without the consent of or notice to the Bondholders or the Trustee, consent to any amendment, change or modification of any Pledged Loan (a) that may be required by the provisions of such Pledged Loan, (b) that may be required for the purpose of curing any ambiguity or formal defect or omission, (c) so as to add additional rights acquired in accordance with the provisions of such Pledged Loan or (d) to make any other change whatsoever so long as the Issuer expects to continue to comply with the most recently filed Cash Flow Statement or provides an updated compliant Cash Flow Statement following such amendment, change or modification.

### **Amendments, etc., to the Pledged Loans Requiring Consent of Bondholders**

Except for amendments, changes or modifications provided for in the Section above, neither the Issuer, the Board on behalf of the Issuer nor the Trustee shall consent to any amendment, change or modification of any Pledged Loan, without notice to and receipt of the written approval or consent of the owners of not less than 66-2/3% in aggregate principal amount of the related Bonds at the time outstanding.

### **Servicing of Pledged Loans**

The Issuer and the Trustee consent to the appointment of the Division of Finance Officer to service the Pledged Loans, and the Division of Finance Officer shall service the Pledged Loans pursuant to the terms of the Indenture. From and after the occurrence of an Event of Default under the Indenture or if the Division of Finance Officer no longer administers loans made by the Board for Water Projects under applicable State law, the Trustee, with the consent and approval of the Issuer and the Board, may (a) replace the Division of Finance Officer with another servicer, and such entity shall then perform the duties assigned to the Division of Finance Officer in Indenture or (b) appoint another official or entity to perform any portion of the duties assigned to the Division of Finance Officer in the Indenture. The Trustee, with the consent and approval of the Issuer and the Board, (which consent and approval shall not be unreasonably withheld) may at any time for cause if they deem such action in the best interest of the Bondholders replace such other servicer or entity with the Division of Finance Officer. Any such servicer shall execute such documents as the Issuer, the Board and the Trustee may require. The Board shall be responsible for the expense of any replacement servicer.

### **Defaults of Pledged Loans**

The Division of Finance Officer shall diligently enforce, and take all reasonable steps, actions and proceedings necessary for the enforcement of, all terms, covenants and conditions of the Pledged Loans, including the prompt payment of all repayments thereunder and all other amounts due the Issuer thereunder, and shall notify the Issuer and the Trustee of any defaults under any Pledged Loans of which the Division of Finance Officer has knowledge. The Division of Finance Officer shall not, except pursuant to certain provisions of the Indenture, release the obligations of any borrower under any Pledged Loans and shall at all times, to the extent permitted by law, defend, enforce, preserve and protect the rights and privileges of the Issuer and of the owners of the Bonds under or with respect to the Pledged Loans; provided that this provision shall not be construed to prevent the Board on behalf of the Issuer from substituting Substitute Pledged Loans for Pledged Loans as provided in the Indenture and thereafter settling a default on any Pledged Loan so substituted and released from the lien and pledge of the Indenture on such terms as the Board shall determine to be in the best interests of the Board.

### **Payment or Prepayment of Pledged Loans**

Upon the payment of all sums due and to become due under Pledged Loans, the Board (on behalf of the Issuer) shall direct the Division of Finance Officer to release the Pledged Loan so paid from the lien and pledge of the Indenture and deliver such Pledged Loan to the Board to be cancelled and returned to the issuer thereof.

### **Pledged Loan Files**

All documents received by the Division of Finance Officer (as servicer) with regard to a particular Pledged Loan or the loan evidenced thereby shall be retained by the Division of Finance Officer in a file pertaining to that loan, which file shall be available for inspection by the Issuer and the Trustee or their respective designees at such reasonable times and in such reasonable manner as the Issuer, the State Treasurer or their respective designees shall determine.

### **Issuer Obligations under Pledged Loans**

The Division of Finance Officer, acting for and on behalf of the Issuer, shall perform all obligations and duties of the Issuer under each Pledged Loan.

### **Rights Under Pledged Loans**

The Pledged Loans set forth the covenants and obligations of the Board (acting on behalf of the Issuer) and the obligors thereunder, and reference is hereby made to the Pledged Loans for a detailed statement of said covenants and obligations of the obligors thereunder. The Issuer agrees that the Trustee in its name or, to the extent permitted by law, in the name of the Issuer, may enforce all rights of the Issuer and all obligations of the obligors under the Pledged Loans on behalf of the Bondholders whether or not the Issuer is in default under the Indenture.

### **Possession and Inspection of Pledged Loans; Access to Register**

The Trustee or its duly authorized custodial agent shall retain possession of each executed Pledged Loan and release it only in accordance with the provisions of the Indenture. The Issuer and the Trustee covenant and agree that all books and documents in their possession relating to the Pledged Loans shall at all times be open to inspection by such accountants or other agencies or persons as the other party may from time to time designate.

### **General Covenants**

The Issuer covenants and agrees with each and every Registered Owner of the Bonds issued under the Indenture and Reserve Instrument Provider that each Registered Owner, Security Instrument Issuer and Reserve Instrument Provider, or any duly authorized agent or agents thereof shall have the right at all reasonable times to inspect all records, accounts and data relating to the receipt and disbursements of the Revenues.

### **First Lien Bonds; Equality of Liens**

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

Any assignment or pledge from the Issuer to a Reserve Instrument Provider of (i) proceeds of the issuance and sale of Bonds, (ii) Revenues, (iii) Pledged Loans, or (iv) funds established by the Indenture, including

investments, if any, thereof, is and shall be subordinate to the assignment and pledge effected by the Indenture to the Registered Owners of the Bonds and to the Security Instrument Issuers.

### **Payment of Principal and Interest**

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

### **Performance of Covenants; Issuer**

The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Indenture, and in any and every Bond, Security Instrument Agreement and Reserve Instrument Agreement. The Issuer represents that it is duly authorized under the Constitution of the State to issue the Bonds authorized by the Indenture and to execute the Indenture, that all actions on its part for the issuance of the Bonds and the execution and delivery of the Indenture have been duly and effectively taken, and that the Bonds in the hands of the Registered Owners thereof are and will be valid and enforceable obligations of the Issuer according to the import thereof.

### **List of Bondholders**

The Trustee will keep on file at its Principal Corporate Trust Office a list of the names and addresses of the Registered Owners of all Bonds which are from time to time registered on the registration books in the hands of the Trustee as Registrar for the Bonds. At reasonable times and under reasonable regulations established by the Trustee, said list may be inspected and copied by the Issuer or by the Registered Owners (or a designated representative thereof) of 10% or more in principal amount of Bonds then Outstanding, such ownership and the authority of any such designated representative to be evidenced to the reasonable satisfaction of the Trustee.

### **Designation of Additional Paying Agents**

The Issuer by the Indenture covenants and agrees to cause the necessary arrangements to be made through the Trustee and to be thereafter continued for the designation of alternate paying agents, if any, and for the making available of funds under the Indenture, but only to the extent such funds are made available to the Issuer from Bond proceeds or other funds created under the Indenture or the income from the temporary investment thereof, for the payment of such of the Bonds as shall be presented when due at the Principal Corporate Trust Office of the Trustee, or its successor in trust under the Indenture, or at the principal corporate trust office of said alternate Paying Agents.

### **Tax Exemption of Bonds and Direct Payments**

The Issuer recognizes that Section 149(a) of the Code requires certain bonds to be issued and to remain in fully registered form in order that interest thereon is excluded from gross income for federal income tax purposes or to receive the Direct Payment for Build America Bonds under laws in force at the time the bonds are delivered. Pursuant to the provisions thereof, the Issuer agrees that it will not take any action to permit Bonds issued under the Indenture to be issued in, or converted into, bearer or coupon form, unless the Issuer first receives an opinion from nationally recognized bond counsel that such action will not result in the interest on any Bonds becoming includible

in gross income for purposes of federal income taxes then in effect or affect the Direct Payment of Build America Bonds, as applicable.

The Chair and Secretary are by the Indenture authorized and directed to execute such certificates as shall be necessary to establish that Tax-Exempt Bonds or Build America Bonds issued under the Indenture are not “arbitrage bonds” within the meaning of Section 148 of the Code and the Regulations promulgated or proposed therein, including Treasury Regulation Sections 1.148-1 through 1.148-11, 1.149 and 1.150-1 through 1.150-2 as the same presently exist, or may from time to time hereafter be amended, supplemented or revised. The Issuer covenants and certifies to and for the benefit of the Registered Owners of such Bonds that no use will be made of the proceeds of the issue and sale of such Bonds, or any funds or accounts of the Issuer which may be deemed to be available proceeds of such Bonds, pursuant to Section 148 of the Code and applicable regulations (proposed or promulgated) which use, if it had been reasonably expected on the date of issuance of such Bonds, would have caused the Bonds to be classified as “arbitrage bonds” within the meaning of Section 148 of the Code. Pursuant to the covenant, the Issuer obligates itself to comply throughout the term of such Bonds with the requirements of Section 148 of the Code and the regulations proposed or promulgated therein.

The Issuer further covenants and agrees to and for the benefit of the Registered Owners that the Issuer (i) will not take any action that would cause interest on Tax-Exempt Bonds issued under the Indenture to become includible in gross income for purposes of federal income taxation, (ii) will not take any action that would jeopardize the Direct Payments on Build America Bonds issued under the Indenture, (iii) will not omit to take or cause to be taken, in timely manner, any action, which omission would cause the interest on the Tax-Exempt Bonds to become includible in gross income for purposes of federal income taxation, (iv) will not omit to take or cause to be taken, in timely manner, any action, which omission would jeopardize the Direct Payments on Build America Bonds issued under the Indenture, and (v) will, to the extent possible, comply with any other requirements of federal tax law applicable to the Bonds in order to preserve the excludability from gross income for purposes of federal income taxation of interest on Tax-Exempt Bonds and the Direct Payments on Build America Bonds issued under the Indenture.

### **Instruments of Further Assurance**

The Issuer and the Trustee mutually covenant that they will, from time to time, each upon the written request of the other, or upon the request of a Security Instrument Issuer or a Reserve Instrument Provider, execute and deliver such further instruments and take or cause to be taken such further actions as may be reasonable and as may be required by the other to carry out the purposes of the Indenture; provided, however, that no such instruments or action shall involve any personal liability of the Trustee or members of the governing body of the Issuer or any official thereof.

### **Events of Default**

Each of the following events is by the Indenture declared an “Event of Default”:

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

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

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

(d) if an order or decree shall be entered, with the consent or acquiescence of the Issuer, appointing a receiver or custodian for any of the Revenues of the Issuer, or approving a petition filed against the Issuer seeking

reorganization of the Issuer under the federal bankruptcy laws or any other similar law or statute of the United States of America or any state thereof, or if any such order or decree, having been entered without the consent or acquiescence of the Issuer shall not be vacated or discharged or stayed on appeal within 30 days after the entry thereof; or

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

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

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

(h) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Issuer or of the whole or any substantial part of the property of the Issuer, and such custody or control shall not be terminated within 30 days from the date of assumption of such custody or control; or

(i) if the Issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture or any Supplemental Indenture of the Indenture on the part of the Issuer to be performed, other than as set forth above in this Section, and such Event of Default shall continue for 30 days after written notice specifying such Event of Default and requiring the same to be remedied shall have been given to the Issuer by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Registered Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding under the Indenture; or

(j) the occurrence of any event specified in a Supplemental Indenture as constituting an Event of Default.

### **Remedies; Rights of Registered Owners**

Upon the occurrence of an Event of Default, the Trustee, upon being indemnified pursuant to the Indenture, may pursue any available remedy by suit at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Bonds then Outstanding or to enforce any obligations of the Issuer under the Indenture including the right to require the Issuer to make deposits or allocations required by the Indenture.

If an Event of Default shall have occurred, and if requested so to do by (i) Registered Owners of not less than 25% in aggregate Principal amount of the Bonds then Outstanding, (ii) Security Instrument Issuers at that time providing Security Instruments which are in full force and effect and not in default on any payment obligation and which secure not less than 25% in aggregate Principal amount of Bonds at the time Outstanding, or (iii) any combination of Registered Owners and Security Instrument Issuers described in (i) and (ii) above representing not less than 25% in aggregate Principal amount of Bonds at the time Outstanding, and indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Section as the Trustee, being advised by counsel, shall deem most expedient in the interest of the Registered Owners and the Security Instrument Issuers.

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

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

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

### **Right of Registered Owners to Direct Proceedings**

Anything in the Indenture to the contrary notwithstanding, unless a Supplemental Indenture provides otherwise, either (i) the Registered Owners of a majority in aggregate Principal amount of the Bonds then Outstanding, (ii) the Security Instrument Issuers at the time providing Security Instruments which are in full force and effect and not in default on any payment obligation and which secure not less than 50% in aggregate Principal amount of Bonds at the time Outstanding, or (iii) any combination of Registered Owners and Security Instrument Issuers described in (i) and (ii) above representing not less than 50% in aggregate Principal amount of Bonds at the time Outstanding, shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings under the Indenture; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture.

### **Application of Moneys**

All moneys received by the Trustee pursuant to any right given or action taken under the provisions relating to Events of Default shall, after payment of Trustee's fees and expenses including the fees and expenses of its counsel for the proceedings resulting in the collection of such moneys and of the expenses and liabilities and advances incurred or made by the Trustee, be deposited in the Bond Fund and all moneys so deposited in the Bond Fund shall be applied in the following order:

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

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

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

SECOND—To the payment to the persons entitled thereto of the unpaid Principal of and premium, if any, on the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, and the Principal component of any Security Instrument Repayment Obligations then due, and, if the amount available shall not be sufficient to pay in full all the Bonds and the Principal component of any Security Instrument Repayment Obligations due on any

particular date, then to the payment ratably, according to the amount of Principal due on such date, to the persons entitled thereto without any discrimination or privilege.

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

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

Whenever moneys are to be applied pursuant to these provisions, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amounts of such moneys available for such application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal paid on such dates shall cease to accrue.

#### **Remedies Vested in Trustee**

All rights of action (including the right to file proof of claims) under the Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings related thereto and any such suit or proceedings instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Registered Owners of the Bonds, and any recovery of judgment shall be for the equal benefit of the Registered Owners of the Outstanding Bonds.

#### **Rights and Remedies of Registered Owners**

Except as provided in the last sentence of this Section, no Registered Owner of any Bond or Security Instrument Issuer shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust thereof or for the appointment of a receiver or any other remedy under the Indenture, unless an Event of Default has occurred of which the Trustee has been notified as provided in the Indenture, or of which by said provision it is deemed to have notice, nor unless also Registered Owners of 25% in aggregate principal amount of the Bonds then Outstanding or Security Instrument Issuers at the time providing Security Instruments which are in full force and effect and are not in default on any payment obligation and which secure not less than 25% in aggregate principal amount of Bonds at the time Outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name, nor unless also they have offered to the Trustee indemnity as provided in the Indenture nor unless the Trustee shall thereafter fail or refuse to exercise the powers granted in the Indenture, or to institute such action, suit or proceeding in its own name or names. Such notification, request and offer of indemnity are by the Indenture declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trust of the Indenture, and to any action or cause of action for the enforcement of the Indenture, or for the appointment of a receiver or for any other remedy under the Indenture; it being understood and intended that no one or more Registered Owner of the Bonds or Security Instrument Issuer shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Indenture by its action or to enforce any right under the Indenture except in the manner in the Indenture provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner in the Indenture provided and for the equal benefit of the Registered Owners of all Bonds then Outstanding and all Security Instrument Issuers at the time providing Security Instruments. Nothing contained in the Indenture shall,

however, affect or impair the right of any Registered Owner or Security Instrument Issuer to enforce the covenants of the Issuer to pay the principal of, premium, if any, and interest on each of the Bonds issued under the Indenture held by such Registered Owner and Security Instrument Repayment Obligations at the time, place, from the source and in the manner in said Bonds or Security Instrument Repayment Obligations expressed.

### **Termination of Proceedings**

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

### **Waivers of Events of Default**

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

### **Cooperation of Issuer**

In the case of any Event of Default under the Indenture, the Issuer shall cooperate with the Trustee and use its best efforts to protect the Registered Owners, Reserve Instrument Providers and the Security Instrument Issuers.

### **Fees, Charges and Expenses of Trustee**

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

### **Intervention by Trustee**

In any judicial proceeding to which the Issuer is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interest of Registered Owners of the Bonds, the Trustee may intervene on behalf of such Owners and shall do so if requested in writing by the Registered Owners of at least 25% in aggregate principal amount of the Bonds then Outstanding. The rights and obligations of the Trustee under this Section are subject to the approval of a court of competent jurisdiction.

### **Resignation by the Trustee**

The Trustee and any successor Trustee may at any time resign from the trusts by the Indenture created by giving written notice to the Issuer, served personally or by registered or certified mail, and by registered or certified mail to each Reserve Instrument Issuer, Security Instrument Issuer and Registered Owner of Bonds then Outstanding, and such resignation shall take effect upon the appointment of and acceptance by a successor Trustee by the Registered Owners or by the Issuer as provided in the Indenture; provided, however that if no successor Trustee has been appointed within 60 days of the date of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice, if any, as it deems proper and prescribes, appoint a successor Trustee.

### **Removal of the Trustee**

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

### **Appointment of Successor Trustee by Registered Owners; Temporary Trustee**

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

Each Reserve Instrument Provider and Security Instrument Issuer shall be notified immediately upon the resignation or termination of the Trustee and provided with a list of candidates for the office of successor Trustee.

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

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

- (a) To provide for the issuance of Additional Bonds in accordance with the Indenture;

- (b) To cure any ambiguity or formal defect or omission in the Indenture;
- (c) To grant to or confer upon the Trustee for the benefit of the Registered Owners, any Security Instrument Issuers and any Reserve Instrument Providers any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Registered Owners or any of them which shall not adversely affect the interests of any Reserve Instrument Providers or Security Instrument Issuers without its consent;
- (d) To subject to the Indenture additional Revenues, Pledged Loans, or other revenues, properties, collateral or security, or to add Substitute Pledged Loans and/or release Released Loans pursuant to the terms of the Indenture;
- (e) To provide for the issuance of the Bonds pursuant to a book-entry system or as uncertificated registered public obligations pursuant to the provisions of the Registered Public Obligations Act, Title 15, Chapter 7 of the Utah Code, Annotated 1953, as amended, or any successor provisions of law;
- (f) To make any change which shall not materially adversely affect the rights or interests of the Owners of any Outstanding Bonds, any Security Instrument Issuers or any Reserve Instrument Provider requested or approved by a Rating Agency in order to obtain or maintain any rating on the Bonds or requested or approved by a Security Instrument Issuer or Reserve Instrument Provider in order to insure or provide other security for any Bonds;
- (g) To make any change necessary (A) to establish or maintain the excludability from gross income for federal income tax purposes of interest on any Series of Tax-Exempt 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 therein, (B) to comply with the provisions of Section 148(f) of the Code, including provisions for the payment of all or a portion of the investment earnings of any of the funds established under the Indenture to the United States of America, or (C) to establish or maintain the status of any Series of Bonds as Build America Bonds;
- (h) If the Bonds affected by any change are rated by a Rating Agency, to make any change which does not result in a reduction of the rating applicable to any of the Bonds so affected, provided that if any of the Bonds so affected are secured by a Security Instrument, such change must be approved in writing by the related Security Instrument Issuer;
- (i) If the Bonds affected by any change are secured by a Security Instrument, to make any change approved in writing by the related Security Instrument Issuer, provided that if any of the Bonds so affected are rated by a Rating Agency, such change shall not result in a reduction of the rating applicable to any of the Bonds so affected;
- (j) To correct any references contained in the Indenture to provisions of the Act, the Code or other applicable provisions of law that have been amended so that the references in the Indenture are correct.

**Supplemental Indentures Requiring Consent of Registered Owners and Reserve Instrument Providers; Waivers and Consents by Registered Owners**

Exclusive of Supplemental Indentures covered by the Section above and subject to the terms and provisions contained in this Section, and not otherwise, the Registered Owners of 66 2/3% in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to (i) consent to and approve the execution by the Issuer and the Trustee of such other indenture or indentures supplemental to the Indenture as shall be deemed necessary and desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture, or (ii) waive or consent to the taking by the Issuer of any action prohibited, or the omission by the Issuer of the taking of any action required, by any of the provisions of the Indenture or of any indenture supplemental to the Indenture; provided, however, that nothing contained in this Section shall permit or be construed as permitting (a) an extension of the date that a Principal Installment is due at

maturity or mandatory redemption or reduction in the principal amount of, or reduction in the rate of or extension of the time of paying of interest on, or reduction of any premium payable on the redemption of, any Bond, without the consent of the Registered Owner of such Bond, or (b) a reduction in the amount or extension of the time of any payment required by any Fund established under the Indenture applicable to any Bonds without the consent of the Registered Owners of all the Bonds which would be affected by the action to be taken, or (c) a reduction in the aforesaid aggregate principal amount of Bonds, the Registered Owners of which are required to consent to any such waiver or Supplemental Indenture, or (d) affect the rights of the Registered Owners of less than all Bonds then outstanding, without the consent of the Registered Owners of all the Bonds at the time Outstanding which would be affected by the action to be taken. In addition, no supplement to the Indenture shall modify the rights, duties or immunities of the Trustee, without the written consent of the Trustee. If a Security Instrument or a Reserve Instrument is in effect with respect to any Series of Bonds Outstanding and if a proposed modification or amendment would affect such Series of Bonds, then, except as provided in the Section above, neither the Indenture nor any Supplemental Indenture with respect to such Series of Bonds shall be modified or amended at any time without the prior written consent of the related Security Instrument Issuer or Reserve Instrument Provider, as applicable.

### **Discharge Of Indenture**

If the Issuer shall pay or cause to be paid, or there shall be otherwise paid or provision for payment made, to or for the Registered Owners of the Bonds, the principal of and interest due or to become due thereon at the times and in the manner stipulated therein, and shall pay or cause to be paid to the Trustee all sums of moneys due or to become due according to the provisions of the Indenture, and to all Security Instrument Issuers and all Reserve Instrument Providers all sums of money due or to become due according to the provisions of any Security Instrument Agreements, Reserve Instrument Agreements, as applicable, then these presents and the estate and rights by the Indenture granted shall cease, terminate and be void, whereupon the Trustee shall cancel and discharge the lien of the Indenture, and release, assign and deliver unto the Issuer any and all the estate, right, title and interest in and to any and all rights assigned or pledged to the Trustee, held by the Trustee, or otherwise subject to the lien of the Indenture, except moneys or securities held by the Trustee for the payment of the principal of and interest on the Bonds, the payment of amounts pursuant to any Security Instrument Agreements or the payment of amounts pursuant to any Reserve Instrument Agreements.

Any Bond shall be deemed to be paid within the meaning of this Section when payment of the principal of such Bond, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption as provided in the Indenture, or otherwise), either (a) shall have been made or caused to have been made in accordance with the terms thereof, or (b) shall have been provided by irrevocably depositing with or for the benefit of the Trustee, in trust and irrevocably setting aside exclusively for such payment, (i) moneys sufficient to make such payment, or (ii) Direct Obligations, maturing as to principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, and all necessary and proper fees, compensation and expenses of the Trustee, and any paying agent pertaining to the Bond with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such times as a Bond shall be deemed to be paid under the Indenture, as aforesaid, it shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or Direct Obligations.

Notwithstanding the foregoing, in the case of Bonds, which by their terms may be redeemed prior to their stated maturity, no deposit under the immediately preceding paragraph shall be deemed a payment of such Bonds as aforesaid until the Issuer shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions:

- (a) stating the date when the principal of each such Bond is to be paid, whether at maturity or on a redemption date (which shall be any redemption date permitted by the Indenture);
- (b) directing the Trustee to call for redemption pursuant to the Indenture any Bonds to be redeemed prior to maturity pursuant to the Indenture; and

(c) directing the Trustee to mail, as soon as practicable, in the manner prescribed by the Indenture, a notice to the Registered Owners of such Bonds and to each related Security Instrument Issuer that the deposit required by the Indenture has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the Indenture and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal or redemption price, if applicable, on said Bonds as specified in the Indenture.

Any moneys so deposited with the Trustee as provided in the Indenture may at the direction of the Issuer also be invested and reinvested in Direct Obligations, maturing in the amounts and times as set forth in the Indenture, and all income from all Direct Obligations in the hands of the Trustee pursuant to this Section which is not required for the payment of the Bonds and interest thereon with respect to which such moneys shall have been so deposited, shall be deposited in the Bond Fund as and when realized and collected for use and application as are other moneys deposited in that fund; provided, however, that before any excess moneys shall be deposited in the Bond Fund, the Trustee shall first obtain a written verification from a certified public accountant that the moneys remaining on deposit with the Trustee and invested in Direct Obligations after such transfer to the Bond Fund shall be sufficient in amount to pay principal and interest on the Bonds when due and payable.

No such deposit under this Section shall be made or accepted under the Indenture and no use made of any such deposit unless the Trustee shall have received an opinion of nationally recognized municipal bond counsel to the effect that such deposit and use would not cause any Tax-Exempt Bonds to be treated as arbitrage bonds within the meaning of Sections 148 of the Code.

Notwithstanding any provision of any other Article of the Indenture which may be contrary to these provisions, all moneys or Direct Obligations set aside and held in trust pursuant to these provisions for the payment of Bonds (including interest thereon) shall be applied to and used solely for the payment of the particular Bonds (including interest thereon) with respect to which such moneys or Direct Obligations have been so set aside in trust.

Anything in the Indenture to the contrary notwithstanding, if moneys or Direct Obligations have been deposited or set aside with the Trustee pursuant to these provisions for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment to these provisions shall be made without the consent of the Registered Owner of each Bond affected thereby.

## APPENDIX C

### FORM OF OPINION OF BOND COUNSEL

Upon the delivery of the Bonds, Ballard Spahr LLP, Bond Counsel to the State, proposes to issue its final approving opinion in substantially the following form:

We have acted as bond counsel for the State of Utah (the “State”) in connection with the issuance by the State of its \$18,450,000 Federally Taxable Recapitalization Revenue Bonds, Series 2010A (the “Series 2010A Bonds”); \$16,125,000 Recapitalization Revenue Bonds, Series 2010B (the “Series 2010B Bonds”); and \$31,225,000 Recapitalization Revenue Bonds, Series 2010C (Federally Taxable–Issuer Subsidy–Build America Bonds) (the “Series 2010C Bonds” and collectively with the Series 2010A Bonds and the Series 2010B Bonds, the “Bonds”) pursuant to (i) resolutions of the State Bonding Commission of the State of Utah (the “Commission”) adopted on September 29, 2009 and on February 10, 2010 (collectively the “Resolutions”), which provide for the issuance of the Bonds; (ii) the State Financing Consolidation Act, Title 63B, Chapter 1b, Utah Code Annotated 1953, as amended (the “Act”), and other applicable provisions of law; and (iii) a General Indenture of Trust, dated as of February 1, 2010 (the “General Indenture”), as amended and supplemented by a First Supplemental Indenture of Trust, dated as of February 1, 2010 (the “First Supplemental Indenture” and, together with the General Indenture, the “Indenture”), each between the State and Wells Fargo Bank, N.A., as trustee (the “Trustee”).

The Bonds are being issued to (a) provide the State of Utah Board of Water Resources (the “Board”) with funds to make additional loans under certain revolving loan programs administered by the Board, (b) fund a deposit to a debt service reserve fund, and (c) pay the costs of issuance associated with the issuance of the Bonds.

Our services as bond counsel have been limited to the preparation of the legal proceedings and supporting certificates authorizing the issuance of the Bonds under the applicable laws of the State and to a review of the transcript of such proceedings and certificates. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certificates of public officials furnished to us without undertaking to verify the same by independent investigation. Our examination has been limited to the foregoing as they exist or are in effect as of the date hereof. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

Based on our examination and the foregoing, we are of the opinion as of the date hereof and under existing law, as follows:

1. The Indenture has been authorized, executed and delivered by the State, constitutes a valid and binding obligation of the State enforceable against the State and creates a valid lien on the Revenues (as defined in the Indenture) and the other amounts pledged thereunder for the security of the Bonds.

2. The Bonds are valid and binding special obligations of the State payable solely from the Revenues and other amounts pledged therefor in the Indenture, and the Bonds do not constitute a general obligation indebtedness of the State within the meaning of any state constitutional provision or statutory limitation, nor a charge against the general credit or taxing power of the State.

3. Interest on the Series 2010B Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Series 2010B Bonds, assuming the accuracy of the certifications of the State and continuing compliance by the State with the requirements of the Internal Revenue Code of 1986. Interest on the Series 2010B Bonds is exempt from individual and corporate federal alternative minimum tax ("AMT") and is not includable in adjusted current earnings for purposes of corporate AMT.

4. Interest on the Series 2010A Bonds and the Series 2010C Bonds is not excludable from gross income for federal income tax purposes.

5. Interest on the Bonds is exempt from State of Utah individual income taxes.

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

(a) The rights of the holders of the Bonds and the enforceability thereof and of the documents identified in this opinion may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases;

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

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

Respectfully submitted,

## APPENDIX D

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

[TO BE DATED THE CLOSING DATE.]

This Continuing Disclosure Undertaking (the “*Agreement*”) is executed and delivered by the State of Utah (the “*State*”) in connection with the issuance of (a) \$18,450,000 aggregate principal amount of the State’s Federally Taxable Recapitalization Revenue Bonds, Series 2010A (the “*Series 2010A Bonds*”); (b) \$16,125,000 aggregate principal amount of the State’s Recapitalization Revenue Bonds, Series 2010B (the “*Series 2010B Bonds*”) and (c) \$31,225,000 aggregate principal amount of the State’s Federally Taxable Recapitalization Revenue Bonds, Series 2010C (Issuer Subsidy–Build America Bonds) (the “*Series 2010C Bonds*” and, collectively with the Series 2010A Bonds and the Series 2010B Bonds, the “*Bonds*”). The Bonds are being issued pursuant to (i) resolutions adopted by the State Bonding Commission on September 29, 2009 and on February 10, 2010 and (ii) a General Indenture of Trust, dated as of February 1, 2010, as amended and supplemented by a First Supplemental Indenture of Trust, dated as of February 1, 2010 (collectively, the “*Indenture*”), each between the State and Wells Fargo Bank, N.A., as Trustee (the “*Trustee*”).

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

1. PURPOSE OF THIS AGREEMENT. This Agreement is executed and delivered by the State 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 State 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 State 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 State and which has filed with the State a written acceptance of such designation, and such agent’s successors and assigns.

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

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

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

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

“*MSRB*” means the Municipal Securities Rulemaking Board.

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

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

“*State*” means the State of Utah.

“*Undertaking*” means the obligations of the State pursuant to Sections 4 and 5.

3. CUSIP NUMBER/FINAL OFFICIAL STATEMENT. The CUSIP Numbers of the Bonds are as set forth in the following tables:

SERIES 2010A BONDS

YEAR OF MATURITY	INTEREST RATE	CUSIP NUMBER
2011	1.15%	917535 AA4
2012	1.60	917535 AB2
2013	2.09	917535 AC0
2014	2.57	917535 AD8

SERIES 2010B BONDS

YEAR OF MATURITY	INTEREST RATE	CUSIP NUMBER
2014	4.00%	917535 AE6
2015	2.25	917535 AF3
2015	5.00	917535 AP1
2016	2.50	917535 AG1
2016	4.00	917535 AQ9
2017	2.75	917535 AH9
2017	5.00	917535 AR7

SERIES 2010C BONDS

YEAR OF MATURITY	INTEREST RATE	CUSIP NUMBER
2018	4.19%	917535 AJ5
2019	4.34	917535 AK2
2020	4.49	917535 AL0
2021	4.64	917535 AM8
2022	4.79	917535 AN6

The Final Official Statement relating to the Bonds is dated February 10, 2010 (the “*Final Official Statement*”). The State 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 State 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 State will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

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

5. MATERIAL EVENTS DISCLOSURE. Subject to Section 8 of this Agreement, the State hereby covenants that it will disseminate in a timely manner Material Events Disclosure to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission or the State at the time of delivery of such information. 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 Indenture.

6. CONSEQUENCES OF FAILURE OF THE STATE TO PROVIDE INFORMATION. The State 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 State 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 State 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 State to provide the information as required by this Agreement. A default under this Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Agreement in the event of any failure of the State to comply with this Agreement shall be an action to compel performance.

7. AMENDMENTS; WAIVER. Notwithstanding any other provision of this Agreement, the State, by resolution of the State Bonding Commission 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 State, 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 State (such as the Trustee).

In the event that the Commission or the MSRB or other regulatory authority shall approve or require Annual Financial Information Disclosure or Material Events Disclosure to be made to a central post office, governmental agency or similar entity other than EMMA or in lieu

of EMMA, the State 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 State shall be terminated hereunder if the State shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds under the Indenture. The State shall give notice to EMMA in a timely manner if this Section is applicable.

9. **DISSEMINATION AGENT.** The State 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 State from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Material Event, in addition to that which is required by this Agreement. If the State chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Agreement, the State shall have no obligation under this Agreement to update such information or include it in any future disclosure or notice of occurrence of a Material Event. If the State is changed, the State 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 State, 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 State shall maintain records of all Annual Financial Information Disclosure and Material Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

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

*(Signature page follows.)*

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

DATED as of the day and year first above written.

STATE OF UTAH

By \_\_\_\_\_  
Richard K. Ellis, State Treasurer

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED  
FINANCIAL STATEMENTS

“*Annual Financial Information*” means financial information and operating data of the type contained in the Official Statement under the following captions:

	PAGE
PLEGGED LOANS–General .....	
STATE OF UTAH–Utah Board of Water Resources– <i>Water Resources Conservation and Development Fund</i> .....	
STATE OF UTAH–Utah Board of Water Resources– <i>Water Resources Cities Water Loan Fund</i> .....	
APPENDIX A–PLEGGED LOANS .....	

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 State 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 January 15<sup>th</sup> of each year, beginning January 15, 2011. 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 pursuant to generally accepted accounting principles as prescribed by the Government Accounting Standards Board. Audited Financial Statements will be submitted to EMMA within 30 days after availability to the State.

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

## EXHIBIT II

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

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

## APPENDIX E

### BOOK-ENTRY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the (a) \$18,450,000 State of Utah Federally Taxable Recapitalization Revenue Bonds, Series 2010A, (b) \$16,125,00 State of Utah Recapitalization Revenue Bonds, Series 2010B and (c) \$31,225,000 Federally Taxable Recapitalization Revenue Bonds, Series 2010C (Issuer Subsidy–Build America Bonds) (collectively, the “Series 2010 Bonds”). The Series 2010 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2010 Bond certificate will be issued for each maturity of the Series 2010 Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities 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. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Series 2010 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2010 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2010 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2010 Bonds

are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2010 Bonds, except in the event that use of the book-entry system for the Series 2010 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2010 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2010 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2010 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2010 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2010 Bonds, such as redemptions, defaults, and proposed amendments to the Series 2010 Bond documents. For example, Beneficial Owners of Series 2010 Bonds may wish to ascertain that the nominee holding the Series 2010 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC as provided in the Indenture. If less than all of the Series 2010 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2010 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State of Utah, as issuer of the Series 2010 Bonds (the "*State*"), as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2010 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal, and interest payments on the Series 2010 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the State or Wells Fargo Bank, N.A., as trustee and paying agent (the "*Trustee*"), on payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect 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 State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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