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Attorneys for Plaintiffs

**UNITED STATES DISTRICT COURT
DISTRICT OF UTAH, CENTRAL DIVISION**

USAA MUTUAL FUNDS TRUST on behalf of its
series the USAA TAX-EXEMPT INTERMEDIATE
TERM FUND and WELLS FARGO & CO.,

Plaintiffs,

v.

JORDANELLE SPECIAL SERVICE DISTRICT, a
body corporate and politic, JORDANELLE
SPECIAL SERVICE DISTRICT SPECIAL
IMPROVEMENT DISTRICT NO. 2005-2,
WASATCH COUNTY, a political subdivision of the
State of Utah acting through the WASATCH
COUNTY COUNCIL,

Defendants.

COMPLAINT

Case No. 2:14cv00787

Honorable Judge Ted Stewart

(Jury Demanded)

Plaintiffs USAA Mutual Funds Trust on behalf of its separate series, the USAA Tax Exempt Intermediate Term Fund (Fund 2006) (“USAA TEF”), and Wells Fargo & Co. (“Wells Fargo”) (collectively, “Plaintiffs” or “Bondholders”), through their counsel, bring this complaint against defendants Jordanelle Special Service District and Jordanelle Special Service District Special Improvement District No. 2005-2 (the “Assessment Area”) (collectively, “JSSD”), and Wasatch County, Utah (“Wasatch County”) (collectively, “Defendants”).

NATURE OF THE ACTION

1. Plaintiffs purchased revenue bonds from the Defendants, thereby investing nearly \$30 million in Defendants’ projects in Wasatch County. Defendants rewarded the Plaintiffs’ investment by defaulting on the bonds, acting in bad faith and against the rights of the Bondholders, mismanaging the properties underlying the bonds, violating the Utah Assessment Act, and improperly using the bond proceeds in an attempt to gain a windfall at the expense of the Bondholders.

2. This is an action for damages, an accounting, appointment of a receiver, declaratory relief, quiet title and other equitable remedies brought by the Bondholders against Defendants as the issuer and the issuer’s governing authority following the issuer’s failure to make payments due and payable to the bondholders. After the issuer’s default, it purported to exercise an alleged remedy that was contrary to the bondholders’ rights under the bond indenture and private placement memorandum described below. The Bondholders have discovered that, in an effort to avoid liability, as further described below, Defendants have undertaken a course of action outside of their authority and in breach of its obligations under the indenture and private placement memorandum.

3. JSSD is a body politic and corporate established pursuant to the Utah Special Service District Act, Utah Code Ann. § 17-1-101 et seq. (2008). It is a political subdivision of the State of Utah.

4. Created in 1993 as a special service district, JSSD serves approximately 12,000 acres in northern Wasatch County surrounding the shoreline areas of the Jordanelle Reservoir.

5. In 2005, JSSD's governing authority, the Wasatch County Council, created an assessment area to finance the acquisition, construction, and installation costs of water and sewer improvements within the "Assessment Area," an area south of the reservoir.

6. Beginning in 2005, JSSD began to issue bond anticipation notes and warrants to finance the construction of improvements, including a water reclamation facility (the "Facility") and water wells and tanks, lift stations and connections to such Facility depicted on the attached Exhibit A (the "Improvements Map").

7. In 2009, JSSD issued three series of bonds in the aggregate principal amount of \$40,850,000 (collectively, the "Bonds" or the "Series 2009 Bonds"). The Bonds were issued to refund and retire certain outstanding notes used to finance the improvements depicted on the Improvements Map, to fund a Debt Service Reserve Fund, and to pay costs of issuance of the Bonds.

8. The principal source of the revenue expected to repay the Bonds was assessments levied against benefited properties within JSSD (the "Assessed Properties").

9. The Plaintiffs are Bondholders that collectively purchased the entire principal amount of two of the three series of Bonds in reliance upon the disclosures and according to the terms contained in an Indenture of Trust and Pledge (the "Indenture," a copy of which is attached hereto as Exhibit B) and a Private Placement Memorandum (the "PPM," a copy of which is attached hereto as Exhibit C).

10. After certain property owners defaulted on their obligations to pay their assessments, JSSD foreclosed on and took title to the delinquent properties.

11. Under the terms of the Indenture, JSSD thereby became liable to pay all of the applicable assessments and interest on the foreclosed properties, as well as to maintain the properties.

12. Instead of making those payments, however, JSSD purported to transfer title to the foreclosed properties to the Plaintiffs under what it claimed was a statutory right to “put” the properties to the Plaintiffs.

13. The Indenture, however, specifically grants the Bondholders a “call” right upon the event of default. The contractual call right permits the Bondholders to elect, in their discretion, to direct JSSD to transfer any foreclosed properties to them in satisfaction of outstanding Bonds.

14. Neither the Indenture nor the PPM disclosed the existence of any “put” or transfer right in Defendants’ favor, whether arising out of statute, contract, or otherwise, even though counsel to the Issuer was the same law firm that advocated for the “put” language to be added to the Assessment Area statute. To the contrary Defendants’ alleged “put” right is inconsistent with the terms of the Indenture.

15. To the extent JSSD believed it had a right to transfer foreclosed properties as a way of relieving itself of obligations imposed by the Indenture, that belief was never expressed to the Bondholders. The Bondholders reasonably believed based on the express provisions of the Indenture that JSSD had waived any rights and remedies, that were in conflict with the parties’ rights and obligations in the Indenture. JSSD waived any such alleged extra-contractual remedies by virtue of (a) the silence of the Indenture and the PPM concerning any purported “put” right, and (b) the express negotiation and affirmative inclusion of the Bondholders’ call right in the Indenture.

16. JSSD breached the Indenture by putting, or attempting to transfer, foreclosed properties to the Bondholders. By transferring the land to the Bondholders purportedly in lieu of paying the assessments, JSSD stands to gain a windfall.

17. The Assessed Properties are approved for 3,318 equivalent residential units (“ERUs”).

18. JSSD used the Bondholder’s money to construct a Facility that, upon information and belief, has capacity to serve well in excess of 3,318 ERUs and properties well beyond the Assessed Properties.

19. Yet JSSD placed the burden of all of the costs of the Facility on the Assessed Properties and ultimately transferred that burden to the Bondholders by purportedly transferring the land to them. This leaves the Bondholders with the burden of attempting to recover their investment through the sale of the Assessed Properties.

20. JSSD, on the other hand, will reap the benefits from the Facility with no risk, because it has charged and collected, and will continue to charge and collect, sewer and water fees as well as impact fees for use of the Facility’s excess capacity.

21. Despite having been completed for several years, the Facility is currently inoperable and, therefore, unable to generate revenue for JSSD.

22. The Facility requires a minimum number of ERUs to operate. Without this volume of sewage input, the microorganisms in the bioreactor cannot survive. Due to the fact that JSSD has artificially limited the Facility to serving only the Assessed Properties (in fact, JSSD currently transports wastewater outside of the district for treatment instead of using the Facility), there are only approximately two dozen current ERUs that could potentially discharge to the Facility. At the current rate of development, it could take approximately 50 years before the Facility would become operational.

23. Given the excess capacity of the Facility and the demand for its services shown by the impact fees collected to date by JSSD (as described herein) from other properties, JSSD could begin to operate the Facility much sooner and generate revenues.

24. The proceeds of the Bonds were also intended to be used to construct connections, wells, water tanks and lift stations that would ultimately connect the Assessed Properties to the Facility.

25. Some of the connections, wells, water tanks and lift stations were either never completed or constructed in locations other than those designated for them in the Improvement Map.

26. By failing to complete the improvements authorized, JSSD has left the Assessed Properties without access to the water reclamation facility for which they have been assessed, and it reduced the value and marketability of land that was purportedly transferred to the Bondholders. Defendants have thus left the Bondholders with the burden of having to complete improvements related to the Facility and water system and to otherwise make them operational.

27. JSSD is required to provide water and sewer service to developments within the special service district boundary.

28. To serve new development, however, JSSD requires dedication of a volume of water that is in excess of that which is required for each ERU based on historic use in the area and other factors including potential reuse of water.

29. Further, JSSD requires property owners to execute a water reservation agreement and pay an annual water reservation fee of \$358.16 per acre foot to guarantee future water service to ERUs that have not yet been developed.

30. Together, these burdensome dedication and reservation requirements, imposed when JSSD is providing absolutely no service for development, have significantly increased the cost of development in the area and have diminished the ability of property owners to pay

assessments, which resulted in the foreclosure of properties that JSSD has attempted to transfer to the Bondholders and the diminishment of the assessment revenue stream available to pay the Bonds.

31. Finally, the Indenture provides that JSSD was responsible for the lawful levy of all assessments and the faithful accounting, collection, settlement and payment of the assessments.

32. As set forth below, in violation of both the express and implied obligations under the Indenture, JSSD has mismanaged funds and violated the terms of Utah's Assessment Area Act by improperly using bond proceeds for off-site or unrelated expenditures and improvements.

THE PARTIES

33. Plaintiff USAA Mutual Funds Trust is a registered investment company organized as a Delaware business trust with its principal place of business in San Antonio, Texas. USAA TEF is a series of USAA Mutual Funds Trust.

34. Plaintiff Wells Fargo is a banking and financial services holding company incorporated under the laws of the State of Delaware with its headquarters in San Francisco, California.

35. Wasatch County is a political subdivision of the State of Utah.

36. The Wasatch County Council is the legislative body of Wasatch County. The Wasatch County Council is the governing body of JSSD under Utah Code Ann. §§ 11-42-102(21)(c) and 17D-1-301(1).

37. Upon information and belief, JSSD is a special service district, as that term is defined and used in the Utah Special Service District Act, Utah Code Ann. § 17D-1-101 *et seq.* JSSD was created by Wasatch County on September 20, 1993, to provide drainage, recreation, snow removal, flood control, roads, sewer collection, sewer treatment, sewer contract services,

and retail water distribution systems within its jurisdiction in the Jordanelle Basin in Wasatch County.

38. Wasatch County created the Assessment Area as a county improvement district in about 2006 through the adoption of Wasatch County Council Resolution 2006-4 and has or will benefit from the improvements paid for by Plaintiffs' funds.

JURISDICTION AND VENUE

39. This Court has jurisdiction over this case pursuant to the terms of 28 U.S.C. § 1332(a) because this is a dispute between the citizens of different states in which the amount in controversy exceeds the sum or value of \$75,000, exclusive of interest and costs.

40. Venue is proper in this district pursuant to 28 U.S.C. § 1391 because the events giving rise to the dispute occurred in this district, and the property that is the subject of this action is located in this district.

FACTUAL BACKGROUND

A. Background and Creation of JSSD

41. JSSD is a special service district created in 1993 covering approximately 12,000 acres in the Jordanelle Basin, Wasatch County, Utah.

42. Under Utah law, a special service district is a body corporate and politic with perpetual succession and is a political subdivision of the state. Special service districts may sue and be sued.

43. JSSD was established by Wasatch County for the purpose of providing drainage, recreation, snow removal, flood control, roads, sewer collection, sewer treatment, sewer contract services, and retail water distribution systems within its jurisdiction in the Jordanelle Basin.

44. JSSD's day-to-day activities have been governed by an administrative control board. For debt, bonding, and property tax matters, JSSD must receive the express approval of the Wasatch County Council.

45. On October 19, 2005, the Wasatch County Council, acting as the governing authority of JSSD, passed Resolution No. 2005-18 adopting a Notice of Intention to create the Assessment Area, which was a special improvement district known as “Jordanelle Special Service District Special Improvement District No. 2005-2,” for the purpose of financing the acquisition, construction and installation costs of certain water and sewer improvements, including without limitation a water reclamation facility (the “Improvements”) to benefit certain properties within the Assessment Area.

46. The Notice of Intention included the Improvement Map (attached hereto as Exhibit A) that listed and detailed the location of the Improvements to be built with bond proceeds.

47. The resolution contemplated that the bonds that financed the Improvements would be repaid with revenue from special assessments to be levied “against properties to be improved or which may be directly or indirectly benefited by any of such Improvements.”

48. In connection with the Resolution, JSSD filed a list of properties anticipated to be assessed for costs of the Improvements with the Wasatch County Recorder (the “Assessed Properties”).

49. On February 15, 2006, the Wasatch County Council, acting as JSSD’s governing body, adopted a resolution creating the Assessment Area and approved the list of Assessed Properties.

50. The land in the Assessment Area is held in several separately assessed parcels within six major ownership blocks containing 3,318 equivalent residential units (“ERUs”). An ERU is a development unit which in its nature of use or impact on the Improvements is equal to a single-family residential unit.

51. The six major properties within the Assessment Area were originally designated by the following names (a) Victory Ranch, (b) the Aspens, also known as “Talisman,” (c) J.R.

Christenson, also known as “Highlands,” (d) Mower, (e) Cummings, also known as “Jackson Fork,” and (f) Sorenson.

52. On May 16, 2007, the Wasatch County Council authorized the issuance and sale of its Bond Anticipation Notes for Jordanelle Special Service Improvement District Series 2007 in the principal amount of \$18,470,490 (the “Series 2007A Bonds”) to refund previously issued interim warrants and to finance additional costs of the Improvements.

53. On October 24, 2007, the Wasatch County Council authorized the issuance and sale of the following additional Bond Anticipation Notes for the Jordanelle Special Service Improvement District: (1) Series 2007B in the principal amount of \$10,000,000 (the “Series 2007B Bonds”); and (2) Series 2007C in the principal amount of \$10,000,000 (the “Series 2007C Bonds”) to further finance additional costs of the Improvements. (The Series 2007A Bonds, the Series 2007B Bonds, and the Series 2007C Bonds will collectively be called the “Series 2007 Bonds.”)

54. On June 17, 2009, the Wasatch County Council authorized the issuance of three series of Replacement Bond Anticipation Notes, Series 2009, in the aggregate principal amount of \$40,200,619 (“Series 2009 Bonds”) to be exchanged for the Series 2007 Bonds.

55. On July 8, 2009, JSSD adopted an assessment ordinance (the “Assessment Ordinance”) to levy assessments on property located within the Assessment Area sufficient to pay debt service on the Series 2009 Bonds.

56. The Assessment Ordinance imposes a lien against all the assessed property within the Assessment Area. If a property owner fails to pay an assessment with respect to a particular parcel of assessed property, that parcel is subject to foreclosure by JSSD.

57. The Assessment Ordinance provides, in relevant part, that “each piece of property to be assessed within the District will be benefited directly or indirectly in an amount not less

than the assessment to be levied against said property; and that no piece of property listed in the Assessment List will bear more than its proportionate share of the cost of the Improvements.”

58. The Assessment Ordinance took effect on July 15, 2009.

B. JSSD’s Indenture with Plaintiffs

59. On August 12, 2009, the Wasatch County Council adopted Resolution 2009-11, which authorized the issuance of the Series 2009 Bonds, which were to be secured by the assessments paid by owners of the Assessed Properties.

60. On August 17, 2009, JSSD issued its Private Placement Memorandum (the “PPM”) for the Series 2009 Bonds. According to the PPM, at the time of printing, the Improvements were approximately 97% completed. The PPM noted that certain improvements, such as the Victory Ranch “water and sewer systems,” were already completed and operational.

61. Dated as of August 1, 2009, JSSD entered into the Indenture to authorize the sale of the Series 2009 Bonds in the aggregate principal amount of \$40,850,000, with Zions First National Bank acting as the trustee.

62. In accordance with the Indenture, JSSD issued the Series 2009 Bonds in three series: the Series 2009A Bonds, the Series 2009B Bonds, and the Series 2009C Bonds. The Series 2009A Bonds were issued in the total principal amount of \$19,626,000; the Series 2009B Bonds were issued in the total principal amount of \$10,611,000, and the Series 2009C Bonds were issued in the total principal amount of \$10,613,000, for a total aggregate principal amount of \$40,850,000.

63. The purchasers of the three classes of the Bonds were USAA TEF (which purchased the Series 2009A Bonds), Wells Fargo (which purchased the Series 2009B Bonds), and Koch Financial Corporation (which purchased the Series 2009C Bonds).

64. The Indenture is a contract between JSSD and the Bondholders. Section 1.2 of the Indenture provided as follows:

Section 1.2 Indenture to Constitute Contract. In consideration of the delivery and acceptance by the Registered Owners of any and all of the Series 2009 Bonds authorized to be issued hereunder, this Indenture shall be deemed to be and shall constitute a contract between the Issuer and the Bondholders from time to time of the Series 2009 Bonds; and the pledge made in this Indenture and the covenants and agreements herein set forth to be performed by or on behalf of the Issuer shall be for the equal benefit, protection and security of the Bondholders of the Series 2009 Bonds all of which, regardless of the time or times of their authentication and delivery or maturity, shall be of equal rank without preference, priority or distinction of any of the Series 2009 Bonds over any other thereof, except as expressly provided in or permitted by this Indenture.

65. The stated purpose of the Bonds, as provided in Section 2.2 of the Indenture, was to enable JSSD to (a) refund and retire JSSD's outstanding notes, (b) fund a debt service reserve fund, and (c) pay the costs of issuing the bonds and certain notes.

66. Section 2.3 of the Indenture provided that the security for the Bonds "shall be special limited obligations of [JSSD] as described in Section 6.6 herein payable solely from a first lien pledge of the Assessments levied and collected under the Assessment Ordinance, Bond proceeds, moneys collected by the Issuer from the foreclosure of assessed properties, or other funds created hereunder or the income from the temporary investment thereof as described herein."

67. Section 6.6 of the Indenture provided that JSSD "shall be held responsible for the lawful levy of all Assessments, for the creation and maintenance and replenishment of the Debt Service Reserve Fund as provided herein, and for the faithful accounting, collection, settlement, and payment of the Assessments." Thus, among other things, JSSD was responsible for complying with Utah's Assessment Area Act in order to levy and collect assessment funds to be paid to the Bondholders.

68. Upon a property owner's default in payment of assessment obligations, the Indenture required JSSD to pursue a summary sale of the delinquent property, and if unsuccessful, for JSSD to foreclose and take title to the property. The Indenture provided:

Section 6.5. Default in Payment of Assessments. In the event a default occurs in the payment of any installment of principal or interest of the Assessments levied pursuant to the Assessment Ordinance when due, the Issuer shall (a) either declare the unpaid amount delinquent and subject to collection or declare the whole of the unpaid Assessment immediately due and payable and subject to collection, (b) provide notice of such default, and (c) following the lapse of a 15-day period to remedy the default provided in the Notice, all as provided in the Assessment Ordinance, the Issuer shall immediately initiate and diligently pursue to completion a summary sale pursuant to Section 11-42-502 and related pertinent provisions of the Act, of all delinquent property in the manner provided for actions to foreclose trust deeds. If at the sale, no person or entity shall bid and pay the Issuer the amount due on the Assessment plus interest and costs, the property shall be deemed sold to the Issuer for these amounts. So long as the Issuer retains ownership of the property, it shall pay all delinquent Assessment installments and all Assessment installments that become due, including the interest on them. The Bondholders may at their discretion, elect to direct the Issuer to transfer ownership of the property to the owner of the Series 2009 Bonds in full satisfaction of all outstanding assessment obligations hereunder and any payment obligations of the Issuer to the Bondholder of the Series 2009 Bonds.

69. Under Section 6.5 of the Indenture, if JSSD forecloses upon any property that is delinquent in paying its assessment obligations and title is transferred to JSSD, JSSD must pay the delinquent assessments and interest thereon. Under this provision, the Bondholders have the right, but not the obligation, to elect to direct JSSD to transfer ownership of such property to them in full satisfaction of the outstanding Bonds.

70. In reliance on the procedures set forth in Section 6.5, the Bondholders elected to purchase the Bonds with the understanding that, should any property fail to pay its assessment

obligations, they would have the ability, but not the duty, to take ownership of such property in satisfaction of the outstanding amounts owed. In the absence of such an election, however, the Indenture clearly requires JSSD to pay all assessment installments and other obligations associated with foreclosed properties.

71. The Bondholders relied on JSSD's assurance in Section 6.5 that in the event of a foreclosure in which no sale proceeds were available to pay the assessments, JSSD itself would pay all delinquent assessment installments and all those assessment installments that would become due.

72. Under the Indenture, the Bondholders have the right, but not the obligation, to take ownership of the foreclosed properties; JSSD has no right to transfer ownership of foreclosed properties to the Bondholders in the absence of their consent to the transfer.

73. Nothing in the Indenture relieves JSSD of its continuing obligation to pay assessments installments and other obligations associated with properties on which it has foreclosed.

74. The permissive, but not obligatory, right outlined in the Indenture provides the Bondholders specifically negotiated protections, including time to strategize regarding the best approach for recovering value from the properties without facing the imminent liabilities of property ownership.

75. Under certain circumstances the Bondholders may benefit from taking ownership of delinquent properties, but they have declined to do because of the disadvantages of ownership, including the obligation to pay property taxes for such property (which has now accumulated in a substantial sum), paying premiums for property insurance, as well as more generally assuming the liabilities attendant to being a property owner, including risk of market volatility and contending with all title defects.

76. On March 6, 2013 (almost four years after issuance of the Bonds), Mark Gaylord, counsel to JSSD, circulated a draft of a Bondholder Agreement to the Bondholders, which for the first time referenced JSSD's purported right to transfer the foreclosed properties to the Bondholders as a way of evading its obligations under the Indenture.

77. Neither the Indenture nor the PPM references or makes any disclosure of any purported right held by JSSD, upon the event of default, to transfer any foreclosed property to the Bondholders in lieu of satisfying JSSD's assessment obligations. Instead, the Indenture provides only the call right to Bondholders described in Section 6.5.

78. Prior to receiving this draft Bondholder Agreement from Mr. Gaylord, the Defendants had never disclosed or discussed any purported put right.

79. To the extent that JSSD actually believed it had the right to transfer the foreclosed properties, it never expressed that belief to the Plaintiffs.

C. Events of Default Under the Indenture

80. In relevant part, under Section 8.1 of the Indenture, the following events are considered "Events of Default":

- (a) if payment of any installment of interest on any of the Series 2009 Bonds shall not be made by or on behalf of the Issuer when the same shall become due and payable, or . . .
- (h) if the Issuer shall for any reason be rendered incapable of fulfilling its obligations hereunder; or
- (i) if the Issuer defaults in the performance or observance of any covenant, agreement, or condition on the part of the Issuer hereunder or under the Assessment Ordinance (other than defaults mentioned in (a), (b), or (c) above) and fails to remedy the same for a period of thirty (30) days after notice of the default is given by the Trustee or Bondholders of at least a majority in aggregate principal amount of then Outstanding Series 2009 Bonds; or

81. As alleged in details below, JSSD has committed a series of uncured “Events of Default.” These defaults include the failure to pay amounts due when due and owing to the Bondholders for properties owned and held by JSSD. JSSD has also breached its representations and covenants set forth in the Indenture, including representations regarding the use of the funds entrusted to JSSD by the Bondholders.

82. Section 8.2 of the Indenture provides, in relevant part:

Upon the occurrence and continuance of any Event of Default, the Trustee may and (a) with respect to an Event of Default arising under Section 8.1(c), upon request of the Bondholders of at least twenty-five percent (25%) in aggregate principal amount of the Series 2009 Bonds then Outstanding or (b) with respect to any other Event of Default, upon request of the Bondholders of at least a majority in aggregate principal amount of the Series 2009 Bonds then Outstanding, (subject to the indemnity provisions provided herein) shall, pursue any available remedy by suit at law or in equity (including an action seeking the appointment of a receiver) to enforce payment on such Series 2009 Bonds (including payment of the purchase price on a Mandatory Purchase Date as required by Section 2.8) or to enforce any obligation of the Issuer hereunder or under the Assessment Ordinance (including, without limitation, by writ of mandamus, action for specific performance, or otherwise). No remedy conferred upon or reserved to the Trustee (or to the Bondholders) is intended to be exclusive of any other remedy, but each remedy is cumulative and is in addition to every other remedy given hereunder and under the Assessment Ordinance or at law or otherwise to the Trustee or to the Bondholders.

D. Property Owners Fail to Pay Assessments and JSSD Then Attempts to Put the Properties to the Bondholders.

83. Pursuant to the Assessment Ordinance, assessments are to be paid by owners of the Assessed Properties over a period of twenty years. Revenue from the assessments was to be applied to pay the principal of, and interest on, the Series 2009 Bonds, commencing February 1, 2010.

84. Owners of the Aspens failed to make any assessment payments commencing February 1, 2010. As a result, and pursuant to the terms of the Indenture and Assessment Ordinance, JSSD commenced foreclosure proceedings with respect to the Aspens. The foreclosure sale was conducted on November 13, 2012, and because there were no bidders, JSSD was deemed the successful bidder and title to the Aspen property was transferred to JSSD.

85. On February 12, 2014, JSSD foreclosed on and took title to the J.R. Christenson property.

86. On June 5, 2014, JSSD first attempted to exercise a purported transfer right by purporting to transfer both the Aspen and the J.R. Christenson properties to the Bondholders by special warranty deed. This purported transfer was made contrary to the Bondholders' direction, without the Bondholders' consent, and without notice to the Bondholders.

87. On June 17, 2014, the Bondholders refused to take ownership of these properties and recorded a Notice of Rejection of Deed as to both the Aspen and the J.R. Christenson properties.

88. On July 15, 2014, JSSD obtained title to the Cummings property as a result of the bankruptcy process.

89. On September 26, 2014, JSSD purported to transfer the Cummings property to the Bondholders by special warranty deed, allegedly in conformance with JSSD's alleged put right. This purported transfer was made contrary to the Bondholders' direction, without the Bondholders' consent, and without notice to the Bondholders.

90. On October 14, 2014, the Bondholders refused to take ownership of these properties and recorded a Notice of Rejection of Deed as to the Cummings property.

E. JSSD's Mismanagement of Assessments and Bond Proceeds and Failure to Deliver the Contractual Agreed Upon Improvements

91. On October 1, 2012, the owners of the Cummings property filed suit against JSSD and the Assessment Area in the Fourth District Court for Wasatch County, Utah, alleging that JSSD and the Assessment Area misused and mismanaged the assessment funds.

92. Specifically, the owners of the Cummings property alleged that JSSD: (a) constructed a water treatment facility with assessment funds and that the facility's capacity grossly exceeds the needs of the Assessed Properties, thereby benefitting individuals, entities, or property not within the Assessment Area and therefore not subject to assessments; (b) spent assessment funds on projects outside of the Assessment Area, which were not authorized and for which assessments were not imposed; (c) provided benefits and services to properties outside of the Assessment Area and not subject to assessment; (d) purchased real properties which provide benefits only to some of the assessed properties and/or which benefit individuals, entities, or real properties outside the Assessment Area; (e) purchased and maintained equipment and facilities that do not proportionally benefit the Assessed Properties and which benefit individual, entities, or real properties outside the Assessment Area; (f) charged windfall impact fees to real properties outside of the Assessment Area that have connected or are planning to connect into the Improvements paid for by the assessments, without reimbursing or crediting the Assessed Properties for the service extensions; (g) failed to complete the Improvements and left the Assessed Properties with nonfunctional and partially complete improvements; and (h) charged excessive administrative, contingency, and engineering fees that do not proportionally benefit the Assessed Properties and which benefit individuals, entities, or real properties located outside the Assessment Area.

93. On March 11, 2013, Gilbert & Stewart, Certified Public Accountants, prepared a forensic audit report that described the expenditure of funds and use of assets by JSSD and the Assessment Area. This audit report identified the following irregularities in facilities built by JSSD with proceeds from the Series 2009 Bonds:

1. JSSD built a sewer treatment plant with the capacity to serve 10,600 residential units, far exceeding the residential units allocated to six owners of assessed land; The sewer treatment plant is still non-operational;
2. JSSD built a water tank outside the Assessment Area that is still not in operation;
3. JSSD built improvements on Old Highway 40 Line, which is outside the Assessment Area and does not benefit Assessment Area;
4. JSSD purchased land for a sewer treatment plant when it already owned other land for the sewer treatment plant; it overpaid an entity called Fishin With Bread, LLC for the additional land;
5. JSSD charged large administrative fees to the project with no justification;
6. JSSD operated with inconsistent draw sheets, with some being signed and other being unsigned; and
7. JSSD personnel used JSSD credit cards for their personal expenditures.

94. According to the audit report, one of the listed expenditures in the 2005 Notice of Intention was property acquisition costs for a Water Reclamation Facility. The Notice of Intention allocated a budget of \$900,000 to purchase land identified on the Improvements Map. This proposed land, however, was already owned by the JSSD as of 2005.

95. Rather than build the facility on land already owned by JSSD, or purchase land for the amount represented in the Notice of Intention, JSSD purchased land nearly adjacent to the site JSSD already owned from Fishin With Bread, LLC (“Fishin”) for a sales price of \$2,790,000.

96. The transaction with Fishin was highly questionable for the following reasons:
- a. Fishin purchased the property for \$2,500,000 from its previous owners a few days before JSSD paid Fishin an additional \$290,000 for the property;
 - b. At the time of the sale to JSSD, Fishin was an entity that had been formed only for this single transaction;

- c. Fishin had no prior business dealings or credit;
- d. Fishin purchased the property by obtaining a loan that was collateralized by a JSSD bank account; and
- e. JSSD has never explained why it offered its funds as security to facilitate Fishin's acquisition of a new site for the Facility, and further why JSSD would agree to allow Fishin to mark up the cost of the site by nearly \$300,000 in exchange for owning the property for only a few days.

97. The foregoing transactions have raised serious questions about JSSD's competence and integrity. As a result of these transactions, it is doubtful that JSSD has the ability to carefully use and safeguard the monies entrusted to it by Plaintiffs and the public.

F. JSSD Applies Bond Proceeds in Violation of Law; Denies Property The Benefit of Improvements Paid By Assessment and Gains Windfall.

98. According to the audit report, JSSD improperly used assessment funds for off-site or unrelated expenditures and improvements not identified in the 2005 Notice of Intention, in violation of Utah's Assessment Area Act

99. JSSD also violated Utah law by failing to provide public notice or hold public meetings before moving or altering improvements.

100. Furthermore, JSSD failed to construct improvements identified in the Notice of Intention and on the Improvement Map.

101. As the result of these improper and unauthorized changes in the construction of improvements, the properties within the Assessment Area have not received all of the improvements that were represented when JSSD and the County established the Assessment Area.

102. Upon information and belief, JSSD also used assessments for improvements, such as for an extra capacity water tank, that were not actually used to benefit the Assessment Area, but instead were used for the benefit of properties outside of the Assessment Area.

103. According to reports filed with the State of Utah, JSSD has collected approximately \$900,000 in impact fees for capital costs related to the construction of a water and sewer treatment plant.

104. JSSD, however, has not used that money to repay the Bonds, which financed the sewer water treatment plant owned by JSSD.

G. JSSD's Impediment of Development By Its Excess Water Dedication And Reservation Requirements

105. JSSD also has impaired the development potential and marketability of Assessed Properties by requiring a dedication of water rights in excess of what is required to serve each ERU to be built within the Assessed Properties.

106. JSSD's practice is to agree to provide future water service if property owners reserve sufficient water for an entire development at full build out.

107. JSSD then charges annual water reservation fees which result in excessive charges because an entire development's water must be reserved at the time of development approval notwithstanding the fact that there will not be a need for service for portions of the development for decades.

108. JSSD's water reservation and dedication requirements are not roughly proportional to the impact water service has on the district and, as a result, they violate state and federal law. See, e.g., Utah Code Ann. § 17B-1-120. JSSD requires dedication of 0.9 acre feet per ERU while analysis would suggest that impact on the district should require a substantially less dedication.

109. JSSD also acts contrary to law by threatening to sell water to other jurisdictions if property owners do not agree to reserve and begin payment for water a property owner may never need.

110. JSSD does not act as a water supplier with respect to future development but rather a speculator in contravention of Utah law preventing the holding of water rights for speculation.

H. JSSD's Failure to Maintain Greenbelt Property Tax Status Causing Properties to Accrue Significant Property Taxes

111. At the time JSSD took title to the Aspens project, the Wasatch County Assessor assessed the project at the greenbelt tax rate under the Farmland Assessment Act ("Farmland Act"), which is a significantly lower tax rate. See Utah Code Ann. § 59-2-503.

112. At the time JSSD took title, the Aspens project was eligible to continue to be taxed at the greenbelt rate because it continued to be devoted to grazing and similar agricultural uses.

113. Nevertheless, JSSD missed the statutory deadline for making application with the Wasatch County Assessor to maintain the property's greenbelt status.

114. Under the Farmland Act, property is subject to a rollback tax if there is a change in ownership and the new owner fails to timely submit a new application for greenbelt tax assessment within 120 days. See Utah Code Ann. §§ 59-2-502(8)(c), 59-2-509(3)-(4).

115. Because of JSSD's failure to timely renew the greenbelt status for the Aspens project, the Aspens project became subject to a rollback tax and a statutory penalty. See Utah Code Ann. § 59-2-506(1), (2)(b)(ii). The rollback tax and any interest became a lien on the properties. Utah Code Ann. § 59-2-506(6)(a).

116. Moreover, the Aspens project became subject to tax assessment at a much higher rate.

117. JSSD's failure to maintain greenbelt tax assessment status has greatly impaired the value of the properties that support payment of the Bonds by substantially increasing the cost to carry such properties.

I. JSSD's Failure to Maintain Commercially Marketable Title to Property

118. On October 6, 2014, JSSD disclosed to Plaintiffs, for the first time, that the foreclosed properties that JSSD has purported to transfer to Plaintiffs are encumbered with numerous liens, judgments, and claims resulting from Defendants' mismanagement.

119. JSSD was aware of one or more of these liens, judgments, and claims prior to issuance of the Bonds because they existed before JSSD recorded the Notice of Assessment interest in 2009. JSSD failed to provide adequate disclosure of such liens in the PPM.

120. These title defects further impede the development potential and marketability of the properties in the Assessment Area.

121. JSSD's improper attempt to transfer the foreclosed properties to the Plaintiffs, and JSSD's mismanagement of the Assessment Area as set forth above have created uncertainty concerning ownership of the properties and have diminished the value of the properties to such a degree that there is no viable market for Plaintiffs to sell the properties in order to obtain repayment of the Bonds.

122. Furthermore, even if Plaintiffs wanted to market and sell the properties, Plaintiffs could not obtain title insurance because of JSSD's actions.

123. In short, JSSD's purported actions, unless set aside, have saddled Plaintiffs with properties having greatly diminished value for which there is no viable market.

FIRST CAUSE OF ACTION
Breach of Contract and Quiet Title
Against JSSD

124. Plaintiffs incorporate by reference and reallege each and every allegation contained above as if fully set forth herein.

125. Pursuant to Section 1.2, the Indenture is a valid and binding contract between the Plaintiffs and JSSD.

126. Plaintiffs have fully performed all of their obligations under the Indenture.

127. JSSD failed to perform its obligations under the Indenture, and it has violated its covenants thereunder.

128. The Indenture sets forth the negotiated procedure for the parties to follow in the event of any default in payment of assessment obligations. Under the Indenture, JSSD must pursue a summary sale of the delinquent property, and if unsuccessful, JSSD must foreclose and take title to such property. Upon foreclosure, JSSD becomes obligated to pay the delinquent assessments and interest thereon, as well as all other obligations associated with the property. Under Section 6.5 of the Indenture, after JSSD obtains possession of the property, Plaintiffs have the right to elect to direct JSSD to transfer ownership of the foreclosed upon property to them in full satisfaction of the outstanding assessment obligations. In the absence of such an election by Plaintiffs, however, JSSD has the continuing obligation to retain ownership of the foreclosed properties and to pay all assessments associated with them.

- a. In direct contradiction to Plaintiffs' rights under the Indenture to elect whether they want to direct JSSD to transfer ownership of the foreclosed upon properties, JSSD has purported to transfer the ownership of the Aspen, the J.R. Christenson, and the Cumming properties to the Plaintiffs over their objections.

- b. Even assuming that JSSD once had a put right, statutory or otherwise, JSSD waived any such right when it entered into the Indenture and agreed that the Bondholders would retain the right, but not the obligation, to demand title to the foreclosed property in satisfaction of delinquent Bonds.

129. Pursuant to the terms of the Indenture, JSSD was responsible for the lawful levy of all Assessments and the faithful accounting, collection, settlement and payment of the Assessments. This was necessary in order to assure the repayment of the Bonds. As set forth above, JSSD breached this obligation in at least the following respects:

- a. JSSD used bond proceeds to finance projects outside the Assessment Area, in some cases for the personal benefit of its officers, agents and associates;
- b. JSSD used bond proceeds to construct a sewer treatment plant that has never been placed in operation and that is designed to service many thousands of residential units, whereas the six owners of unimproved land in the area can only develop 3,300 residential units, based on JSSD and the County's density restrictions;
- c. JSSD has used the assessments to construct a water tank outside the area identified in the Improvements Map, which tank is not connected to any system and hence is not in operation primarily, if not solely, because it is oversized and located in a place not approved by law;
- d. JSSD made improvements on Old Highway 40 Line which is outside the Assessment Area and does not benefit Assessment Area;
- e. JSSD overpaid for land acquired from Fishin for a sewer treatment plant site when JSSD already owned land for the sewer treatment plant;
- f. JSSD charged large administrative fees charged with no supporting documentation;

- g. JSSD maintained inconsistent draw sheets;
- h. JSSD has impaired the development potential and marketability of the properties in the Assessment Area by, among other things, its excessive and illegal exactions; and
- i. JSSD employees used the JSSD credit card for personal purposes.

130. JSSD's failure to operate the Assessment Area in accordance with the law and good practices is a breach of the Indenture.

131. As a result of JSSD's breaches of the Indenture, JSSD's purported transfers of the Aspen, the J.R. Christenson, and the Cummings properties to the Plaintiffs were invalid and should be set aside. Further, the Plaintiffs have been damaged by Defendants' actions in an amount to be established at trial, but that is in excess of \$38 million. The Court should, in addition, quiet title in JSSD to all of the foreclosed properties that JSSD has unlawfully attempted to transfer to Plaintiffs, with a declaration that JSSD has the continuing obligation to pay all accrued and future assessment installments thereon.

SECOND CAUSE OF ACTION

Breach of the Implied Covenant of Good Faith and Fair Dealing Against JSSD

132. Plaintiffs incorporate by reference and reallege each and every allegation contained above as if fully set forth herein.

133. A covenant of good faith and fair dealing is implied in the Indenture between Plaintiffs and JSSD.

134. Pursuant to the covenant, JSSD is prohibited from conduct that would deprive Plaintiffs of the fruits of the Indenture and that would frustrate the ability of the parties to exercise rights under the Indenture.

135. JSSD is required to act in a manner within the Plaintiffs' justified expectations under the Indenture. By purporting to exercise the non-contractual put, JSSD effectively voided the Bondholders' express contract right to call the properties, robbing the Bondholders of their ability to direct the liquidation of their collateral.

136. The benefit of the bargain expected by Plaintiffs, among other things, was that JSSD would make payments to the Bondholders as required by the Indenture and, in the event of default, that Plaintiffs would be able to exercise all of their rights under the Indenture.

137. By failing to properly manage the funds and by acting in violation of Utah's Assessment Area Act as set forth above and by attempting to transfer title to foreclosed properties to Plaintiffs JSSD has breached the covenant of good faith and fair dealing and prevented Plaintiffs from obtaining the benefit of its bargain. Instead of properly managing Assessment funds in accordance with the law and its obligations under the Indenture, JSSD's action resulted in a default of the Bond obligations to the Plaintiffs and has resulted in the devaluation of the collateral. JSSD has attempted to burden Plaintiffs with unmarketable properties, without the benefit of some of the Improvements they paid for, thereby imposing on Plaintiffs the costs of holding the properties, including the obligation to pay rollback taxes at a higher tax rate due to JSSD's failure to maintain the greenback tax assessment, encumbered by liens, judgments, and claims which were never previously disclosed by JSSD.

138. JSSD's conduct, as described above, has prevented Plaintiffs from receiving the benefit of their bargain and has contributed to the Plaintiffs' damages.

139. As a result of JSSD's breaches of the covenant of good faith and fair dealing, the Court should hold that JSSD's purported transfers of the Aspen, the J.R. Christenson, and the Cummings properties were invalid and should be set aside, that title to such properties should be quieted in JSSD with the directive that JSSD pay all assessments with prejudice, and that

Plaintiffs have been damaged by JSSD in an amount to be established at trial, but in an amount no less than \$38 million.

THIRD CAUSE OF ACTION

Unjust Enrichment
Against All Defendants

140. Plaintiffs incorporate by reference and reallege each and every allegation contained above as if fully set forth herein.

141. From the funds obtained from Plaintiffs' purchase of the Bonds, JSSD constructed improvements in the Assessment Area, including an oversized Facility and an oversized water tank. Based on these constructed improvements, JSSD has charged and will continue to charge impact and other related fees to third-parties. JSSD has not used and does not propose to use these collected fees to repay Plaintiffs.

142. JSSD has used the proceeds of the Series 2009 Bonds to build improvements whose capacity far exceed the needs of the assessed property, but JSSD has failed to use the collected fees to repay Plaintiffs. JSSD has thus knowingly received and intends to continue to receive an unjust benefit from the Plaintiffs.

143. As a result, Defendants have been unjustly enriched to the detriment of the Plaintiffs.

144. Defendants' acceptance or retention of this benefit in the circumstances of this case is not equitable.

145. As a result of Defendants' unjust enrichment, the Plaintiffs are entitled to judgment against the Defendants in an amount to be established at trial, but in an amount no less than the jurisdiction amount of this Court.

FOURTH CAUSE OF ACTION

**Constructive Trust
Against All Defendants**

146. Plaintiffs incorporate by reference and reallege each and every allegation contained above as if fully set forth herein.

147. JSSD has collected fees from third-parties based on certain improvements in the Assessment Area constructed by JSSD using funds obtained from Plaintiffs' purchase of the Series 2009 Bonds. JSSD has wrongfully failed and refused to use these collected fees to repay Plaintiffs on the Bonds.

148. JSSD wrongfully wasted and misappropriated funds obtained from Plaintiffs. It is receiving revenues from improvements constructed with Plaintiffs' funds and has withheld such revenue from Plaintiffs. Further, JSSD stands to make a windfall in revenues it will receive in selling excess capacity in the water treatment facility to others outside of the Assessment Area.

149. JSSD has mismanaged and/or wrongfully used Plaintiffs' funds and/or the funds collected from third-parties.

150. By utilizing Plaintiffs' funds and the fees generated from the improvements paid for by Plaintiffs' funds in this manner, Defendants have knowingly received a benefit from the Plaintiffs.

151. As a result, Defendants have been unjustly enriched to the detriment of the Plaintiffs.

152. Defendants' acceptance or retention of this benefit in the circumstances of this case is not equitable.

153. As a result of Defendants' unjust enrichment, wrongful use of Plaintiffs' funds, and wrongful withholding and/or use of fees collected from third-parties, Plaintiffs are entitled to an order from this court imposing a constructive trust on the fees collected from third-parties, certain of the improvements constructed in the Assessment Area which were constructed with

Plaintiffs' funds, and any profits derived therefrom. Defendants should be ordered to convey these fees, improvements, and profits to Plaintiffs and/or hold them in trust for the benefit of Plaintiffs.

FIFTH CAUSE OF ACTION

**Appointment of a Receiver
Against JSSD**

154. Plaintiffs incorporate by reference and reallege each and every allegation contained above as if fully set forth herein.

155. As described above, JSSD has defaulted under its obligations in the Indenture by, among other things, failing to pay interest on the Bonds when due and payable, mismanaging its assets so as to render it incapable of fulfilling its obligations under the Indenture, and breaching its express and implied contractual obligations under the Indenture.

156. JSSD's mismanagement of the funds and assets entrusted to it continues to the present date. Examples of this mismanagement include, but are not limited to: (i) its use of bond proceeds to construct improvements not authorized by the Notice of Intention; (ii) its use of bond funds in a manner not authorized by the Notice of Intention and controlling law; (iii) its mismanagement of assets foreclosed upon by JSSD, including its failure to control tax liabilities and failure to take other steps necessary to mitigate risks associated with ownership; (iv) its decisions to burden property owners with charges not allowed by law, thereby interfering with development on the Assessed Properties; and (v) its collection of fees for capital expenditures that have not been incurred.

157. JSSD continues to take actions contrary to its contractual obligations to the Bondholders, to frustrate potential recoveries by the Bondholders, risking further diminution of value the properties and to generally hinder any progress toward a constructive solution to the defaults.

158. As of October 1, 2014, the Bondholders are owed not less than \$38 million by JSSD.

159. Plaintiffs are owners of Bonds constituting a majority of the aggregate principal amount of the Bonds. Pursuant to Section 8.2 of the Indenture, Plaintiffs are entitled to an order of the court appointing a receiver to manage the Facility and the Assessment Area.

SIXTH CAUSE OF ACTION

**Accounting
Against All Defendants**

160. Plaintiffs incorporate by reference and reallege each and every allegation contained above as if fully set forth herein.

161. As described herein, JSSD has mismanaged and/or wrongfully used Plaintiffs' funds and JSSD has not paid Plaintiffs amounts due and owing under the Indenture.

162. Plaintiffs are, therefore, entitled to an accounting by Defendants of all funds resulting from the sale of the Bonds either under principles of equity or pursuant to Section 8.2 of the Indenture.

SEVENTH CAUSE OF ACTION

**Declaratory Judgment – Rights Under the Indenture
Against All Defendants**

163. Plaintiffs incorporate by reference and reallege each and every allegation contained above as if fully set forth herein.

164. An actual controversy has arisen and now exists between Plaintiffs and Defendants concerning JSSD's purported put right to transfer foreclosed properties to the Plaintiffs in full satisfaction of the outstanding Bonds.

165. Pursuant to 28 U.S.C. §§ 2201 and 2202 and Fed. R. Civ. P. 57, Plaintiffs are entitled to an order declaring that (1) JSSD has no right to transfer foreclosed properties to

Plaintiffs in satisfaction of outstanding Bonds; (2) JSSD's purported transfers of the Aspen, the J.R. Christenson, and the Cummings properties to Plaintiffs were invalid and should be set aside, (3) only the Plaintiffs have the right, but not the obligation, to elect to direct JSSD to transfer ownership of foreclosed properties to them in full satisfaction of the outstanding Bonds; and (4) JSSD is the owner of all foreclosed properties with the obligation to pay all assessment installments associated with the properties and all other obligations resulting from ownership of the properties.

EIGHTH CAUSE OF ACTION

**Declaratory Judgment – Joint and Several Liability/Alter Ego
Against Wasatch County**

166. Plaintiffs incorporate by reference and reallege each and every allegation contained above as if fully set forth herein.

167. An actual controversy has arisen and now exists between Plaintiffs and Defendants concerning JSSD's wrongful acts, including but not limited to, its breach of its express and implied contractual obligations.

168. As the governing body of JSSD, Wasatch County expressly or impliedly authorized each and every action taken by JSSD because, as a local entity, JSSD lacks the authority to act in and of itself. See, e.g., Utah Code Ann. § 11-42-103. As such, the interests of Wasatch County and JSSD are identical.

169. Wasatch County has and/or will benefit from JSSD's actions, including those in violation of the law and/or JSSD's contractual obligations.

170. To recognize the JSSD as an entity separate from Wasatch County in this case, would sanction a fraud, promote injustice, and promote an inequitable result.

171. Pursuant to 28 U.S.C. §§ 2201 and 2202 and Fed. R. Civ. P. 57, Plaintiffs are entitled to an order declaring that (1) JSSD is the alter ego of Wasatch County and/or (2) Wasatch County is jointly and severally liable for JSSD's liability to Plaintiffs.

NINTH CAUSE OF ACTION

**Declaratory Judgment – Illegal Exactions
Against All Defendants**

172. Plaintiffs incorporate by reference and reallege each and every allegation contained above as if fully set forth herein.

173. An actual controversy has arisen and now exists between Plaintiffs and Defendants concerning JSSD's impairment of the development potential and marketability of the Assessed Properties that JSSD has purported to transfer to Plaintiffs allegedly in satisfaction of JSSD's debts owed to Plaintiffs.

174. As a condition of development and service, JSSD requires property owners in the Assessment Area to dedicate more water than is required for each ERU.

175. JSSD will only guarantee water service to new development in the Assessment Area if the property owner reserves sufficient water during development planning to serve the demand anticipated at development build out. JSSD charges an excessive annual fee to secure the reservation. Allegedly on the basis ordinance and other policies, JSSD has attempted to require Plaintiffs to pay up to five years of past water reservation fees for future service, contrary to the requirements of Utah law.

176. JSSD's water reservation and water dedication requirements constitute unlawful water interest exactions.

177. JSSD's water interest exactions impair the development potential and marketability of the Assessed Properties.

178. Article I, Section 22 of the Utah Constitution provides, “Private property shall not be taken or damaged for public use without just compensation.” Similarly, the United States Constitution provides that “private property [shall not] be taken for public use, without just compensation.” U.S. Const. amend. V.

179. In addition, by statute, a local district may only impose an exaction for a water interest if (1) the local district establishes that a legitimate local district interest makes the exaction essential and (2) the exaction is roughly proportionate, both in nature and extent, to the impact of the proposed service on the local district. Utah Code Ann. § 17B-1-120(1).

180. JSSD’s water dedication requirement, which is a condition of development on the Assessed Properties, is not roughly proportionate to proposed development’s impact on water service because the dedication requirement exceeds the volume of water required for JSSD to serve each ERU.

181. JSSD’s annual water reservation fee, which is a condition of securing water reservation, is not roughly proportionate to proposed development’s impact because the annual fee exceeds JSSD’s costs to hold water necessary to serve future development.

182. Pursuant to 28 U.S.C. §§ 2201 and 2202 and Fed. R. Civ. P. 57, Plaintiffs are entitled to an order declaring that the exactions imposed by JSSD on the Assessed Properties are excessive and, therefore, a violation of state and federal law.

DEMAND FOR RELIEF

WHEREFORE, Plaintiffs respectfully request that this Court enter judgment in favor of the Plaintiffs, and each of them, and against Defendants, and each of them, jointly and severally, on each of Plaintiffs’ Claims for Relief and award Plaintiffs:

- a. Compensatory damages against all Defendants, jointly and severally, for all damages sustained as a result of Defendants’ wrongdoing in an amount to be proven at trial, including interest thereon;

b. For an order of the court imposing a constructive trust for the benefit of Plaintiffs on certain fees collected by JSSD, improvements made in the Assessment Area, and any profits derived therefrom and/or requiring them to be conveyed to Plaintiffs;

c. For an order of the court appointing a receiver to manage the Facility and the Assessment Area;

d. For an order of the court requiring an accounting of all funds resulting from the sale of the Bonds;

e. For a declaration and order of the court declaring that (1) JSSD has no right to transfer foreclosed properties to Plaintiffs in satisfaction of outstanding Bonds; (2) JSSD's purported transfer of the Aspen and the J.R. Christenson properties to Plaintiffs was invalid and should be set aside; (3) only the Plaintiffs have the right, but not the obligation, to elect to direct JSSD to transfer ownership of foreclosed properties to them in full satisfaction of the outstanding Bonds; and (4) title to foreclosed properties is quieted in JSSD, which has the obligation to pay all accrued and future assessment installments thereon.

f. For a declaration and order of the court declaring that (1) JSSD is the alter ego of Wasatch County and/or (2) Wasatch County is jointly and severally liable for JSSD's liability to Plaintiffs;

g. For a declaration and order of the court declaring that exactions for water interests imposed by JSSD on the Assessed Properties are in excess of that permitted by state and federal law and are, therefore, illegal;

h. Pre and post-judgment interest;

i. Reasonable costs and expenses incurred in this action, including attorneys' fees and expert fees; and

j. Such other and further relief as the Court may deem just and proper,
including relief allowed by equity and law

JURY DEMAND

Pursuant to Rule 38, Federal Rules of Civil Procedure, Plaintiffs hereby demand a trial by jury of all issues so triable.

DATED this 30th day of October, 2014.

Snell & Wilmer L.L.P.

/s/James D. Gardner

Alan L. Sullivan
James D. Gardner
Amber M. Mettler

Attorneys for Plaintiffs

Plaintiffs' Addresses

USAA Tax-Exempt Intermediate Term
Fund (Fund 6206)
USAA Asset Management Company
Attention: Fixed Income Mutual Fund Portfolio Manager
9800 Fredericksburg Road A-3-E
San Antonio, Texas 78288

Wells Fargo & Co.
550 California Street, 14th Floor
MAC A0112-144
San Francisco, California 94104

CIVIL COVER SHEET

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON NEXT PAGE OF THIS FORM.)

I. (a) PLAINTIFFS

(b) County of Residence of First Listed Plaintiff (EXCEPT IN U.S. PLAINTIFF CASES)

(c) Attorneys (Firm Name, Address, and Telephone Number)

DEFENDANTS

County of Residence of First Listed Defendant (IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED.

Attorneys (If Known)

II. BASIS OF JURISDICTION (Place an "X" in One Box Only)

- 1 U.S. Government Plaintiff, 2 U.S. Government Defendant, 3 Federal Question (U.S. Government Not a Party), 4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES (Place an "X" in One Box for Plaintiff and One Box for Defendant)

- Citizen of This State, Citizen of Another State, Citizen or Subject of a Foreign Country, PTF DEF, Incorporated or Principal Place of Business In This State, Incorporated and Principal Place of Business In Another State, Foreign Nation

IV. NATURE OF SUIT (Place an "X" in One Box Only)

Table with 5 columns: CONTRACT, REAL PROPERTY, TORTS, CIVIL RIGHTS, PRISONER PETITIONS, FORFEITURE/PENALTY, LABOR, IMMIGRATION, BANKRUPTCY, SOCIAL SECURITY, FEDERAL TAX SUITS, OTHER STATUTES. Contains various legal categories and checkboxes.

V. ORIGIN (Place an "X" in One Box Only)

- 1 Original Proceeding, 2 Removed from State Court, 3 Remanded from Appellate Court, 4 Reinstated or Reopened, 5 Transferred from Another District, 6 Multidistrict Litigation

VI. CAUSE OF ACTION

Cite the U.S. Civil Statute under which you are filing (Do not cite jurisdictional statutes unless diversity):
Brief description of cause:

VII. REQUESTED IN COMPLAINT:

CHECK IF THIS IS A CLASS ACTION UNDER RULE 23, F.R.Cv.P. DEMAND \$ CHECK YES only if demanded in complaint: JURY DEMAND: Yes No

VIII. RELATED CASE(S) IF ANY

(See instructions): JUDGE DOCKET NUMBER

DATE SIGNATURE OF ATTORNEY OF RECORD

FOR OFFICE USE ONLY

RECEIPT # AMOUNT APPLYING IFP JUDGE MAG. JUDGE

EXHIBIT A

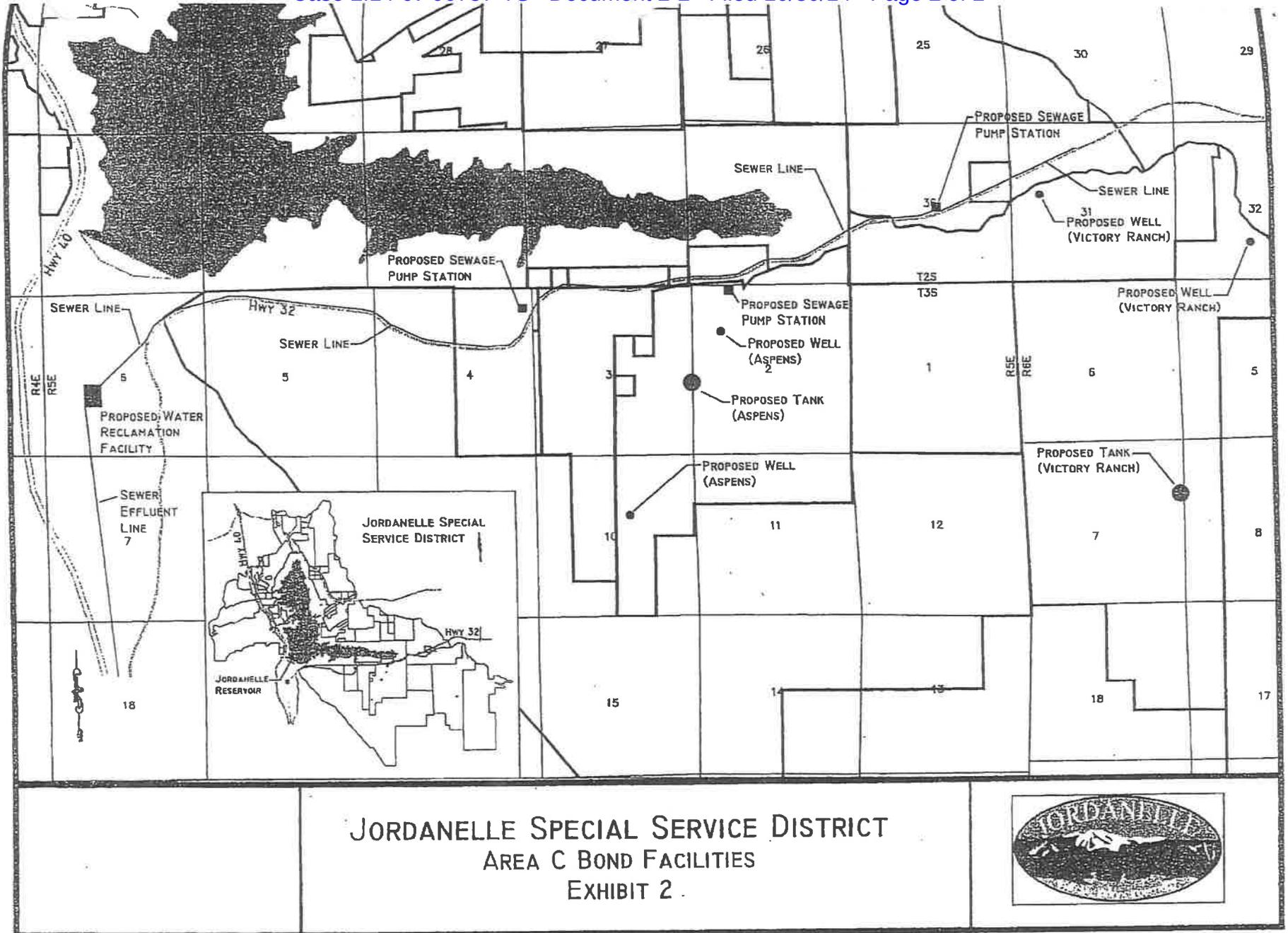


EXHIBIT B

INDENTURE OF TRUST AND PLEDGE

Dated as of August 1, 2009

between

JORDANELLE SPECIAL SERVICE DISTRICT, UTAH

and

ZIONS FIRST NATIONAL BANK
as Trustee

Authorizing the issuance and sale of
\$40,850,000
Jordanelle Special Service District, Wasatch County, Utah
Special Assessment Bonds, Series 2009A, B, and C
(Improvement District 2005-2)

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THIS INDENTURE OF TRUST AND PLEDGE, dated as of August 1, 2009 (the "Indenture"), by and between Jordanelle Special Service District, Utah, a body politic and corporate and a quasi-municipal public corporation duly organized and existing under the Constitution and laws of the State of Utah (the "Issuer"), and Zions First National Bank, a national banking association duly organized and existing under the laws of the United States of America, authorized by law to accept and execute trusts and having its principal office in Salt Lake City, Utah, as trustee (the "Trustee"),

WITNESSETH:

WHEREAS, on October 19, 2005, the County Council of Wasatch County, Utah (the "Council"), acting as the governing authority of the Issuer, adopted a Notice of Intention (the "Notice of Intention") wherein the Council expressed its intent to create the Jordanelle Special Service District Special Improvement District No. 2005-2 (the "District") for the purpose of financing the costs of certain water and sewer improvements as well as other miscellaneous work necessary to complete said improvements in a proper and workmanlike manner (collectively, the "Improvements"), including administrative and overhead costs, and the costs of funding a debt service reserve fund pursuant to the County Special Improvement District Act, Title 17A, Chapter 3, Part 2, Utah Code Annotated 1953, which has been amended and restated as the Assessment Area Act, Title 11, Chapter 42, Utah Code Annotated 1953, as amended (collectively, the "Act"); and

WHEREAS, the Issuer mailed to the owners of properties proposed to be assessed, and published the Notice of Intention, and held a hearing on November 23, 2005, to consider all protests relating to the proposed creation of the District and the acquisition and construction and financing of the Improvements as required by the Act; and

WHEREAS, after considering all protests, if any, received by the Issuer, on November 23, 2005, the Council adopted a resolution creating the District (the "Creation Resolution") and filed the same with the Wasatch County Recorder along with the list of properties anticipated to be assessed described by legal description and tax identification number as required by the Act; and

WHEREAS, the District was validly created and is currently existing under the Act; and

WHEREAS, as a result of the Notice of Intention and the Creation Resolution, the Issuer obtained jurisdiction to proceed with the construction of the Improvements; and

WHEREAS, the Issuer published notices for the receipt of bids with respect to the acquisition and construction of the Improvements and awarded the construction contracts to the lowest responsive, responsible bidders; and

WHEREAS, pursuant to the Act and Resolution No. 2007-07 adopted on May 16, 2007, and a Resolution adopted on October 24, 2007 (collectively, the "Prior

Resolutions”), the Council authorized the issuance and sale of the Issuer’s (a) Bond Anticipation Notes (Jordanelle Special Service Improvement District No. 2005-2) Series 2007 in the total principal amount of \$18,470,490 (the “Series 2007 Notes”), (b) Bond Anticipation Notes (Jordanelle Special Improvement Service District No. 2005-2) Series 2007B in the total principal amount of \$10,000,000 (the “Series 2007B Notes”), and (c) Bond Anticipation Notes (Jordanelle Special Service Improvement District No. 2005-2) Series 2007C in the total principal amount of \$10,000,000 (the “Series 2007C Notes” and collectively with the Series 2007 Notes and Series 2007B Notes, the “Prior 2007 Notes”), all for the purpose of financing and refinancing the costs of construction of the Improvements and related costs as permitted under the Act; and

WHEREAS, the Prior Resolutions provided that the Issuer would in good faith make every reasonable effort to issue and sell a sufficient amount of assessment bonds or replacement notes to pay in full the Prior 2007 Notes on or before their respective maturity dates; and

WHEREAS, the Issuer was unable to issue and sell assessment bonds to pay the Series 2007 Notes at maturity or to pay interest on any of the Prior 2007 Notes when due, and requested that the then owners of the Prior 2007 Notes accept the respective series of Series 2009 Notes (as hereafter defined) as a temporary financing in anticipation of the issuance and delivery of assessment bonds as herein provided; and

WHEREAS, the Issuer negotiated with the then owners of the Prior 2007 Notes to exchange their respective series of Prior 2007 Notes for replacement notes, which such owners agreed to in reliance on the Issuer’s performance of its covenants and obligations as set forth in the resolution adopted by the Council on June 17, 2009, authorizing the issuance of the Issuer’s (a) Replacement Bond Anticipation Notes (Improvement District 2005-2) Series 2009A in the total principal amount of \$19,314,089 (the “Series 2009A Notes”), (b) Replacement Bond Anticipation Notes (Improvement District 2005-2) Series 2009B in the total principal amount of \$10,441,769 (the “Series 2009B Notes), and (c) Replacement Bond Anticipation Notes (Improvement District 2005-2) Series 2009C in the total principal amount of \$10,444,761 (the “Series 2009C Notes” and collectively with the Series 2009A Notes and Series 2009B Notes, the “Series 2009 Notes”) in exchange for the Series 2007 Notes, Series 2007B Notes, and Series 2007C Notes, respectively; and

WHEREAS, the officials of the Issuer determined the total cost of acquisition and construction of the Improvements and prepared a proposed assessment list of assessments to be levied against properties directly or indirectly benefited by the Improvements within the District; and

WHEREAS, on June 3, 2009, the Council adopted a resolution appointing a board of equalization and review (the “Board of Equalization”) which Board of Equalization did not include members other than members of the Council, and setting the dates for the Board of Equalization to hear objections and corrections to any proposed assessment; and

WHEREAS, on June 30, 2009, July 1, 2009, and July 2, 2009, the Board of Equalization held its hearings and on July 8, 2009, reported to the Council its findings and recommendations (the "Findings and Recommendations") which were accepted by the Council; and

WHEREAS, on July 8, 2009, the Council confirmed the Assessment List, as equalized, and adopted an assessment ordinance (the "Assessment Ordinance") to levy assessments on benefited properties within the District; and

WHEREAS, as of the date hereof, the Issuer has received \$4,976,822.02 in prepayments of Assessments, and desires to issue assessment bonds in the aggregate principal amount of \$40,850,000 to (a) refund and retire the Issuer's outstanding Series 2009 Notes, (b) fund the Debt Service Reserve Fund (herein defined), and (c) pay costs of issuance of said assessment bonds and the Series 2009 Notes; and

WHEREAS, the Council now desires to authorize the issuance and delivery of the Issuer's (a) Jordanelle Special Service District, Wasatch County, Utah Special Assessment Bonds, Series 2009A (Improvement District 2005-2) (the "Series 2009A Bonds") in the total principal amount of \$19,626,000 (b) Jordanelle Special Service District, Wasatch County, Utah Special Assessment Bonds, Series 2009B (Improvement District 2005-2) (the "Series 2009B Bonds") in the total principal amount of \$10,611,000, and (c) Jordanelle Special Service District, Wasatch County, Utah Special Assessment Bonds, Series 2009C (Improvement District 2005-2) (the "Series 2009C Bonds") in the total principal amount of \$10,613,000 and collectively with the Series 2009A Bonds and Series 2009B Bonds, the "Series 2009 Bonds") for the purposes set forth in the preceding clause; and

WHEREAS, in connection with the issuance of the Series 2009 Notes in exchange for the Prior 2007 Notes and in anticipation of the issuance and delivery of the Series 2009 Bonds on the terms and conditions provided in the June 17, 2009, resolution and as herein provided, USAA Tax-Exempt Intermediate Term Fund (Fund 6206) ("USAA") has agreed, subject to prepayment of a portion of the Series 2009A Notes from Assessments as provided herein, to accept the Series 2009A Bonds in exchange for the Series 2009A Notes, and to pay to the Issuer \$2,083,435.47 as payment in full for the Series 2009A Bonds; Wells Fargo Bank, N.A. ("Wells Fargo") has agreed, subject to prepayment of a portion of the Series 2009B Notes from Assessments as provided herein, to accept the Series 2009B Bonds in exchange for the Series 2009B Notes, and to pay to the Issuer \$1,126,969.64 as payment in full for the Series 2009B Bonds; and Koch Financial Corporation ("Koch") has agreed, subject to prepayment of a portion of the Series 2009C Notes from Assessments as provided herein, to accept the Series 2009C Bonds in exchange for the Series 2009C Notes, and to pay to the Issuer \$1,126,252.07 as payment in full for the Series 2009C Bonds; and

WHEREAS, the Issuer desires to prepay a portion of the Series 2009 Notes from Assessments as herein provided, and (a) exchange the Series 2009A Bonds for the Series 2009A Notes and borrow additional funds in the amount of \$2,083,435.47, all in consideration for delivery of the Series 2009A Bonds, (b) exchange the Series 2009B

Bonds for the Series 2009B Notes and borrow additional funds in the amount of \$1,126,969.64, all in consideration for delivery of the Series 2009B Bonds, and (c) exchange the Series 2009C Bonds for the Series 2009C Notes and borrow additional funds in the amount of \$1,126,252.07, all in consideration for delivery of the Series 2009C Bonds; and

WHEREAS, the Series 2009 Bonds shall be payable from the Assessments (as herein defined) levied against certain benefited properties within the District and other moneys pledged therefor in this Indenture, and shall not constitute or give rise to a general obligation or liability of the Issuer or constitute a charge against its general credit or taxing powers:

NOW, THEREFORE, THIS INDENTURE OF TRUST AND PLEDGE WITNESSETH:

For and in consideration of the premises, the mutual covenants of the Issuer and the Trustee, the exchange of the Series 2009 Bonds by the Registered Owners thereof for the Series 2009 Notes and the advance of additional funds by such Registered Owners to the Issuer and to secure the payment of the principal of and premium, if any, and interest on the Series 2009 Bonds according to their tenor and effect and the performance and observance by the Issuer of all the covenants expressed or implied herein and in the Series 2009 Bonds, including (without limitation) the Issuer's obligation to purchase Series 2009 Bonds on a Mandatory Purchase Date as herein provided, the Issuer does hereby convey, assign and pledge unto the Trustee and unto its successors in trust forever all right, title and interest of the Issuer in and to (a) the Assessments, (b) all moneys in funds and accounts held by the Trustee hereunder (other than the Rebate Fund), and (c) all other rights hereinafter granted for the further securing of the Series 2009 Bonds, subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in this Indenture;

TO HAVE AND TO HOLD the same with all privileges and appurtenances hereby and hereafter conveyed and assigned, or agreed or intended so to be, to the Trustee and its respective successors and assigns in such trust forever;

IN TRUST NEVERTHELESS, upon the terms and trust set forth in this Indenture, for the pro rata, equal and proportionate benefit, security, and protection of all Registered Owners of the Series 2009 Bonds issued pursuant to and secured by this Indenture without privilege, priority, or distinction as to the lien or otherwise of any Series 2009 Bond over any other Series 2009 Bond by reason of time of issuance, sale, or maturity thereof or otherwise for any cause whatsoever, except as expressly provided in or permitted by this Indenture;

PROVIDED, HOWEVER, that if the Issuer, its successors or assigns, shall well and truly pay, or cause to be paid, the principal and premium, if any, on the Series 2009 Bonds and the interest due or to become due thereon, at the times and in the manner mentioned in the Series 2009 Bonds, according to the true intent and meaning thereof, or shall provide, as permitted by this Indenture, for the payment thereof as provided in

Article X hereof, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions of this Indenture, then upon such final payments or provisions for such payments by the Issuer, this Indenture, and the rights hereby granted, shall terminate; otherwise this Indenture shall remain in full force and effect.

The terms and conditions upon which the Series 2009 Bonds are to be executed, authenticated, delivered, secured, and accepted by all persons who from time to time shall be or become Registered Owners thereof, and the trusts and conditions upon which the Assessments are to be held and disposed, which said trusts and conditions the Trustee hereby accepts, are as follows:

ARTICLE I

DEFINITIONS; ISSUER

Section 1.1 Definitions. As used in this Indenture, unless the context shall otherwise require, the following terms shall have the meanings set forth in the whereas clauses and in this Section 1.1 as follows:

“Act” means collectively, the County Special Improvement District Act, Title 17A, Chapter 3, Part 2, Utah Code Annotated 1953, which has been amended and restated as the Assessment Area Act, Title 11, Chapter 42, Utah Code Annotated 1953, as amended.

“Additional Obligations” is defined in Section 6.10 herein.

“Assessment Fund” means the Jordanelle Special Service District, Utah Improvement District 2005-2 Assessment Fund established pursuant to Section 4.1 herein to be held by the Issuer.

“Assessment Ordinance” means the Assessment Ordinance of the Issuer adopted on July 8, 2009, wherein the Issuer assessed the owners of property directly or indirectly benefited by the Improvements.

“Assessments” means all assessments levied against properties within the District pursuant to the Assessment Ordinance.

“Authorized Representative” means the Chair of the Council, the Manager of the Issuer, or the Secretary of the Issuer.

“Bond Fund” means the Jordanelle Special Service District, Utah Improvement District 2005-2 Bond Fund created in Section 4.2 hereof to be held by the Trustee and administered pursuant to Section 5.2 hereof.

“Bond Fund Year” means the 12-month period beginning January 1 of each year and ending the next succeeding December 31, except that the first Bond Fund Year shall begin on the date of delivery of the Series 2009 Bonds and shall end on the next succeeding December 31.

“Bondholder or “Registered Owner” means the registered owner of any Series 2009 Bond herein authorized and the beneficial owner of any Series 2009 Bonds while the Series 2009 Bonds are held in book-entry only form.

“Bond Registrar” means the Trustee (or other party designated as Registrar by Supplemental Indenture), appointed as the initial registrar for the Series 2009 Bonds pursuant to Section 2.6 and Section 3.6 hereof, and any additional or successor registrar appointed pursuant hereto.

“Business Day” means a day (except Saturday or Sunday) on which banking business is transacted, but not including any day on which banks are authorized to be closed in the city in which the Trustee has its Principal Corporate Trust Office.

“Cede” means Cede & Co. and any substitute nominee of DTC who becomes the Registered Owner.

“Chair” means the Chair of the Wasatch County Council acting on behalf of the Issuer or any successor to the duties of such office.

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

“Cost of Issuance Fund” means the Jordanelle Special Service District, Utah Improvement District 2005-2 Cost of Issuance Fund created in Section 4.4 hereof to be held by the Trustee and administered pursuant to Section 5.4 hereof.

“Council” means the County Council of Wasatch County, Utah, acting as the governing body of the Issuer.

“Debt Service Reserve Fund” means the Jordanelle Special Service District, Utah Improvement District 2005-2 Debt Service Reserve Fund created in Section 4.3 hereof to be held by the Trustee and administered pursuant to Section 5.3 hereof.

“Debt Service Reserve Requirement” means initially the sum of \$5,389,541.77. The Debt Service Reserve Requirement shall be funded and adjusted as Assessments are prepaid as described in Section 5.3 herein.

“Default Rate” means the interest rate payable on any overdue payment of principal of and/or interest on the Series 2009 Bonds or on any tendered, but non-purchased, Series 2009 Bonds as provided in Section 2.8(b) herein, in each case until paid in full and shall equal twenty percent (20%) per annum.

“Delinquent Portion” means that portion of the Series 2009 Bonds, the principal and/or interest payment on which are delinquent.

“District” means the Jordanelle Special Service Improvement District No. 2005-2.

“DTC” means The Depository Trust Company, New York, New York, a limited-purpose trust company organized under the laws of the State of New York.

“Event of Default” means any occurrence or event specified in and defined by Section 8.1 hereof.

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

- (a) State and Local Government Series issued by the United States Treasury;
- (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").

"Gross Proceeds" means the gross proceeds of the Series 2009 Bonds as defined in Section 148(f)(6)(B) of the Code and Section 1.148-1(b) of the Regulations.

"Improvements" means the acquisition, construction, and installation of certain water and sewer improvements to benefit certain properties within the District; as well as other miscellaneous work necessary to complete said improvements in a proper and workmanlike manner.

"Indenture" means this Indenture of Trust and Pledge as from time to time amended or supplemented by Supplemental Indentures in accordance with the terms of this Indenture.

"Interest Payment Date" means the stated maturity date of an installment of interest on the Series 2009 Bonds.

"Issuer" means Jordanelle Special Service District, Wasatch County, Utah, and its successors.

"Manager" means the manager of the Issuer or any successor to the duties of such office.

"Mandatory Purchase Date" means the date specified by a Bondholder in an Optional Tender Notice on which the Issuer is obligated to purchase tendered Series 2009 Bonds pursuant to Section 2.8 hereof, which date shall be a Business Day that is at least 120 days after the Business Day on which the Bondholder delivers such Optional Tender Notice to the Issuer.

"Optional Tender Date" means any Business Day on or after April 20, 2014.

"Optional Tender Notice" means the written notice delivered by a Bondholder to the Issuer pursuant to Section 2.8 hereof in substantially the form attached hereto as Exhibit C.

"Original Issue Date" means the initial delivery date of the Series 2009 Bonds.

"Outstanding" or "Bonds Outstanding" means at any date all Series 2009 Bonds that have been or are being authenticated and delivered by the Trustee under this Indenture and that have not been cancelled, except:

(a) any Series 2009 Bond or portion thereof which at the time has been paid or deemed paid pursuant to Article X of this Indenture; and

(b) any Series 2009 Bond in lieu of or in substitution for which a new Series 2009 Bond shall have been authenticated and delivered hereunder, unless proof satisfactory to the Trustee is presented that such Series 2009 Bond is held by a bona fide holder in due course.

“Participants” means underwriters, securities brokers and dealers, banks and trust companies, clearing corporations, and other persons from time to time for which DTC or any successor securities depository holds Series 2009 Bonds as securities depository.

“Paying Agent” means each Person appointed by the Issuer as paying agent with respect to the Series 2009 Bonds. The initial Paying Agent is Zions First National Bank, Salt Lake City, Utah, or its successors or assigns.

“Person” means natural persons, firms, partnerships, associations, corporations, trusts, public bodies, and other entities.

“Principal Corporate Trust Office” means, with respect to the Trustee and the Paying Agent, the office of the Trustee and the Paying Agent at Zions First National Bank, Corporate Trust Department, One South Main Street, Suite 1200, Salt Lake City, Utah 84111.

“Qualified Investments” means any investments authorized under the Utah State Money Management Act, Title 51 Chapter 7, Utah Code Annotated 1953, as amended and includes Government Obligations.

“Rebatable Arbitrage” means, with respect to the Series 2009 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 the Series 2009 Bonds, the Interest Payment Date next preceding the fifth (5th) anniversary of the issue date of such Bonds, each fifth (5th) anniversary of the initial rebate calculation date for such Bonds, and the date of retirement of the last Bond.

“Rebate Fund” means the Jordanelle Special Service District, Utah Improvement District 2005-2 Rebate Fund created in Section 4.5 hereof to be held by the Trustee and administered pursuant to Section 5.5 hereof.

“Record Date” means the fifteenth day immediately preceding each Interest Payment Date, provided however, that with respect to any redemption the Record Date shall be specified by the Bond Registrar in the notice of redemption, but shall not be less than fifteen (15) calendar days before the mailing of such notice of redemption.

“Redemption Account” means the Redemption Account established within the Bond Fund pursuant to Section 4.2 herein.

“Register” means the record of ownership of the Series 2009 Bonds maintained by the Bond Registrar.

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

“Secretary” means the Secretary of the Issuer, or any successor to the duties of such office.

“Series 2009 Bonds” or “Bonds” means collectively, the Series 2009A Bonds, Series 2009B Bonds, and Series 2009C Bonds.

“Series 2009 Notes” means collectively, the Series 2009A Notes, the Series 2009B Notes, and the Series 2009C Notes.

“Series 2009A Bonds” means the Jordanelle Special Service District, Wasatch County, Utah Special Assessment Bonds, Series 2009A (Improvement District 2005-2).

“Series 2009A Notes” means the Replacement Bond Anticipation Notes (Improvement District 2005-2) Series 2009A.

“Series 2009B Bonds” means the Jordanelle Special Service District, Wasatch County, Utah Special Assessment Bonds, Series 2009B (Improvement District 2005-2).

“Series 2009B Notes” means the Replacement Bond Anticipation Notes (Improvement District 2005-2) Series 2009B.

“Series 2009C Bonds” means Jordanelle Special Service District, Wasatch County, Utah Special Assessment Bonds, Series 2009C (Improvement District 2005-2).

“Series 2009C Notes” means Replacement Bond Anticipation Notes (Improvement District 2005-2) Series 2009C.

“State” means the State of Utah.

“Supplemental Indenture” means any indenture between the Issuer and the Trustee entered into pursuant to and in compliance with the provisions of Article IX hereof.

“Treasurer” means the Treasurer of the Issuer or any successor to the duties of such office.

“Trustee” means Zions First National Bank, Salt Lake City, Utah, or any successor corporation or association 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 hereunder.

Section 1.2 Indenture to Constitute Contract. In consideration of the delivery and acceptance by the Registered Owners of any and all of the Series 2009 Bonds authorized to be issued hereunder, this Indenture shall be deemed to be and shall constitute a contract between the Issuer and the Bondholders from time to time of the Series 2009 Bonds; and the pledge made in this Indenture and the covenants and agreements herein set forth to be performed by or on behalf of the Issuer shall be for the equal benefit, protection and security of the Bondholders of the Series 2009 Bonds all of which, regardless of the time or times of their authentication and delivery or maturity, shall be of equal rank without preference, priority or distinction of any of the Series 2009 Bonds over any other thereof, except as expressly provided in or permitted by this Indenture.

Section 1.3 Construction. This Indenture, except where the context by clear implication herein otherwise requires, shall be construed as follows:

(a) The terms “hereby,” “hereof,” “herein,” “hereto,” “hereunder,” and any similar terms used in this Indenture shall refer to this Indenture in its entirety unless the context clearly indicates otherwise.

(b) Words in the singular number include the plural, and words in the plural include the singular.

(c) Words in the masculine gender include the feminine and the neuter, and when the sense so indicates, words of the neuter gender refer to any gender.

(d) Articles, sections, subsections, paragraphs, and subparagraphs mentioned by number, letter, or otherwise, correspond to the respective articles, sections, subsections, paragraphs, and subparagraphs hereof so numbered or otherwise so designated.

(e) The titles or lead lines applied to articles, sections and subsections herein are inserted only as a matter of convenience and ease in reference and in no way define, limit or describe the scope or intent of any provisions of this Indenture.

ARTICLE II

AUTHORIZATION, TERMS AND ISSUANCE OF SERIES 2009 BONDS

Section 2.1 Authorization of Series 2009 Bonds, Principal Amount Designation and Series. In accordance with and subject to the terms, conditions and limitations established in this Indenture, the Series 2009 Bonds are hereby authorized to be issued in the aggregate principal amount of \$40,850,000. The Series 2009 Bonds shall be issued in three series: the Series 2009A Bonds, Series 2009B Bonds, and Series 2009C Bonds. The Series 2009A Bonds shall be issued in the total principal amount of \$19,626,000, the Series 2009B Bonds shall be issued in the total principal amount of \$10,611,000 and the Series 2009C Bonds shall be issued in the total principal amount of \$10,613,000. Each such series of Bonds shall be designated "Jordanelle Special Service District, Wasatch County, Utah Special Assessment Bonds, Series 2009[A, B, or C] (Improvement District 2005-2)" and shall be issued in fully registered form only, without coupons.

Section 2.2 Purpose. The Series 2009 Bonds are hereby authorized to be issued for the purpose of (a) refunding and retiring the Issuer's outstanding Series 2009 Notes, (b) funding the Debt Service Reserve Fund, and (c) paying issuance expenses incurred in connection with the issuance of the Series 2009 Bonds and the Series 2009 Notes.

Section 2.3 Security for Series 2009 Bonds. The Series 2009 Bonds, together with interest thereon, shall be special limited obligations of the Issuer as described in Section 6.6 herein payable solely from a first lien pledge of the Assessments levied and collected under the Assessment Ordinance, Bond proceeds, moneys collected by the Issuer from the foreclosure of assessed properties, or other funds created hereunder or the income from the temporary investment thereof as described herein.

Section 2.4 Bond Details. The Series 2009 Bonds shall mature on August 1, 2030, and shall initially bear interest at the rate of twelve percent (12%) per annum from their Original Issue Date. If an Event of Default occurs under Section 8.1(a), (b) or (c) herein, those Series 2009 Bonds for which payment or purchase has not been made, or which have otherwise been declared in default, shall accrue interest at the Default Rate from the date on which payment on said Series 2009 Bonds became delinquent, on the Mandatory Purchase Date for any Series 2009 Bonds not purchased, or on the date of the Series 2009 Bonds are otherwise declared in default, in each case until paid in full. In the case of a payment default, the Trustee shall select those Series 2009 Bonds for which payment is delinquent pro rata (based upon the respective aggregate principal amount of each Series then Outstanding as a percentage of the total aggregate principal amount of the Series 2009 Bonds then Outstanding) from each of the Series 2009A Bonds, Series 2009B Bonds and Series 2009C Bonds and shall immediately give notice of such default to the Registered Owners of said defaulted Series 2009 Bonds. The Trustee shall immediately give written notice of the Issuer's failure to purchase any tendered Series 2009 Bonds on the Mandatory Purchase Date pursuant to Section 2.8 to each Bondholder of any Series 2009 Bonds (other than the tendering Bondholder).

Interest shall be payable semi-annually on February 1 and August 1 of each year beginning August 1, 2010, and shall be paid by wire transfer, in immediately available funds, to the Registered Owners of the Series 2009 Bonds.

Each Bond shall accrue interest from the Interest Payment Date next preceding the date on which it is authenticated, unless (a) it is authenticated before the first Interest Payment Date following the Original Issue Date of the Series 2009 Bonds, in which case interest shall accrue from the Original Issue Date of the Series 2009 Bonds, or (b) if any Bond is authenticated on an Interest Payment Date, in which case interest shall accrue from such Interest Payment Date; provided that if at the time of authentication of any such Bond, interest is in default, such Bond shall accrue interest from the date to which interest has been paid in full.

The principal of, premium, if any, and interest on the Series 2009 Bonds shall be payable in any coin or currency of the United States of America which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts. Principal of and premium, if any, on the Series 2009 Bonds shall be payable when due to the person which, as of the Record Date, is the Bondholder of the Series 2009 Bonds by wire transfer in immediately available funds at the address of such Bondholder as it appears on the registration books of the Issuer kept by the Bond Registrar, or at such other address as is furnished to the Bond Registrar in writing by such Bondholder on or prior to the Record Date. Payment of interest on each Series 2009 Bond shall be made to the Person which, as of the Record Date, is the Bondholder of the Series 2009 Bond and shall be made by wire transfer in immediately available funds, to the Person which, as of the Record Date, is the Bondholder of the Series 2009 Bond, at the address of such Bondholder as it appears on the registration books of the Issuer kept by the Bond Registrar, or at such other address as is furnished to the Bond Registrar in writing by such Bondholder on or prior to the Record Date.

Section 2.5 Denominations and Numbers. Each series of the Series 2009 Bonds shall be issued as fully registered bonds, without coupons, in the denomination of \$100,000 and integral multiples of \$1.00 in excess of \$100,000 thereof, not exceeding the amount of each maturity. Each series of Series 2009 Bonds shall be numbered with the letter prefix "RA," "RB," or "RC," respectively and shall be numbered from one (1) consecutively upwards in order of issuance.

Section 2.6 Paying Agent and Bond Registrar. The Issuer hereby appoints Zions First National Bank to serve as Paying Agent and Bond Registrar.

Section 2.7 Redemption.

(a) Optional Redemption. The Series 2009 Bonds are not subject to optional redemption prior to August 18, 2014. On and after August 18, 2014, the Series 2009 Bonds shall be subject to redemption at the option of the Issuer, in whole or in part, on any Business Day at a redemption price equal to one hundred percent (100%) of the principal amount of each Bond to be redeemed plus accrued interest to the date of redemption.

(b) **Extraordinary Mandatory Redemption.** The Series 2009 Bonds are subject to extraordinary mandatory redemption, in whole or in part, on any Business Day that the Issuer selects by notice to the Trustee and is not more than forty-five (45) days after the Issuer's receipt of Assessments collected from the foreclosure sale of delinquent property at a redemption price equal to one hundred percent (100%) of the principal amount of each Bond to be redeemed plus accrued interest to the date of redemption in the amount of Assessments (rounded down to the nearest \$1.00 increment) as the Issuer collects from the foreclosure sale of delinquent property. The particular Series 2009 Bonds or portion thereof to be redeemed shall be selected prior to the redemption date by the Bond Registrar on a pro rata basis first from the Delinquent Portion of the Outstanding Series 2009 Bonds, and second from all remaining Series 2009 Bonds (based upon the respective aggregate principal amount of each series then Outstanding as a percentage of the total aggregate principal amount of Bonds then Outstanding) from each series of Series 2009 Bonds.

(c) **Mandatory Prepayment Redemption.** The Series 2009 Bonds are subject to mandatory prepayment redemption, in whole or in part, on any Interest Payment Date prior to August 18, 2014, from prepayments of Assessments (rounded down to the nearest \$1.00 increment) at a redemption price equal to one hundred six percent (106%) of the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption. The particular Series 2009 Bonds or portion thereof to be redeemed shall be selected prior to the redemption date by the Bond Registrar on a pro rata basis (based upon the respective aggregate principal amount of each series then Outstanding as a percentage of the total aggregate principal amount of Series 2009 Bonds then Outstanding) from each series of Series 2009 Bonds.

(d) **Mandatory Sinking Fund Redemption.** The Series 2009A Bonds are subject to mandatory sinking fund redemption at a redemption price equal to one hundred percent (100%) of the principal amount of Series 2009A Bonds to be redeemed plus accrued interest to the redemption date, as follows:

| Mandatory Sinking Fund Redemption Date <u>(August 1)</u> | Mandatory Sinking Fund <u>Installment</u> |
|---|--|
| 08/01/2010 | \$326,000 |
| 08/01/2011 | 300,000 |
| 08/01/2012 | 300,000 |
| 08/01/2013 | 300,000 |
| 08/01/2014 | 400,000 |
| 08/01/2015 | 400,000 |
| 08/01/2016 | 500,000 |
| 08/01/2017 | 500,000 |
| 08/01/2018 | 600,000 |
| 08/01/2019 | 700,000 |
| 08/01/2020 | 700,000 |

| Mandatory Sinking Fund Redemption Date (August 1) | Mandatory Sinking Fund Installment |
|--|---------------------------------------|
| 08/01/2021 | 800,000 |
| 08/01/2022 | 900,000 |
| 08/01/2023 | 1,100,000 |
| 08/01/2024 | 1,200,000 |
| 08/01/2025 | 1,300,000 |
| 08/01/2026 | 1,500,000 |
| 08/01/2027 | 1,600,000 |
| 08/01/2028 | 1,800,000 |
| 08/01/2029 | 2,100,000 |
| 08/01/2030 | 2,300,000 |

* Final maturity

The Series 2009B Bonds are subject to mandatory sinking fund redemption at a redemption price equal to one hundred percent (100%) of the principal amount of Series 2009B Bonds to be redeemed plus accrued interest to the redemption date, as follows:

| Mandatory Sinking Fund Redemption Date (August 1) | Mandatory Sinking Fund Installment |
|--|---------------------------------------|
| 08/01/2010 | \$111,000 |
| 08/01/2011 | 100,000 |
| 08/01/2012 | 200,000 |
| 08/01/2013 | 200,000 |
| 08/01/2014 | 200,000 |
| 08/01/2015 | 200,000 |
| 08/01/2016 | 300,000 |
| 08/01/2017 | 300,000 |
| 08/01/2018 | 300,000 |
| 08/01/2019 | 400,000 |
| 08/01/2020 | 400,000 |
| 08/01/2021 | 500,000 |
| 08/01/2022 | 500,000 |
| 08/01/2023 | 600,000 |
| 08/01/2024 | 600,000 |
| 08/01/2025 | 700,000 |
| 08/01/2026 | 800,000 |
| 08/01/2027 | 900,000 |
| 08/01/2028 | 1,000,000 |

| Mandatory Sinking Fund Redemption Date (<u>August 1</u>) | Mandatory Sinking Fund <u>Installment</u> |
|---|--|
| 08/01/2029 | 1,100,000 |
| 08/01/2030 | 1,200,000 |

* Final maturity

The Series 2009C Bonds are subject to mandatory sinking fund redemption at a redemption price equal to one hundred percent (100%) of the principal amount of Series 2009C Bonds to be redeemed plus accrued interest to the redemption date, as follows:

| Mandatory Sinking Fund Redemption Date (<u>August 1</u>) | Mandatory Sinking Fund <u>Installment</u> |
|---|--|
| 08/01/2010 | \$113,000 |
| 08/01/2011 | 100,000 |
| 08/01/2012 | 200,000 |
| 08/01/2013 | 200,000 |
| 08/01/2014 | 200,000 |
| 08/01/2015 | 200,000 |
| 08/01/2016 | 300,000 |
| 08/01/2017 | 300,000 |
| 08/01/2018 | 300,000 |
| 08/01/2019 | 400,000 |
| 08/01/2020 | 400,000 |
| 08/01/2021 | 500,000 |
| 08/01/2022 | 500,000 |
| 08/01/2023 | 600,000 |
| 08/01/2024 | 600,000 |
| 08/01/2025 | 700,000 |
| 08/01/2026 | 800,000 |
| 08/01/2027 | 900,000 |
| 08/01/2028 | 1,000,000 |
| 08/01/2029 | 1,100,000 |
| 08/01/2030 | 1,200,000 |

* Final maturity

Upon redemption of any Series 2009 Bonds (other than by application of mandatory sinking fund redemption), an amount equal to the principal amount so redeemed shall be credited pro rata (based upon the respective aggregate principal amount of each series then Outstanding as a percentage of the total aggregate principal amount of Bonds then Outstanding) and to the extent possible in increments of not less than \$1.00, toward all remaining mandatory sinking fund redemption amounts for all series of the Series 2009 Bonds on a pro rata basis.

If fewer than all of the Series 2009 Bonds are to be redeemed (other than by application of mandatory sinking fund redemption), the particular Series 2009 Bonds or portion thereof to be redeemed shall be selected prior to the redemption date by the Bond Registrar on a pro rata basis (based upon the respective aggregate principal amount of each series then Outstanding as a percentage of the total aggregate principal amount of Bonds then Outstanding) from each series of Series 2009 Bonds (rounded down to the nearest \$1.00 increment).

To the extent that a mandatory sinking fund redemption results in the reduction in aggregate principal amount of any of the Series 2009 Bonds Outstanding, a Bondholder in its discretion: (a) may request the Trustee to issue and authenticate a new Series 2009 Bond certificate, or (b) shall make an appropriate notation on its Series 2009 Bond certificate indicating the date and amounts of such redemption in principal, except in the case of final maturity, in which case the certificate must be presented to the Trustee prior to payment. Should the Bondholder elect not to submit the Series 2009 Bonds for redemption, the Trustee's records shall govern in the case of discrepancy with the noted schedule on the Series 2009 Bond, absent manifest error.

Notice of redemption (other than mandatory sinking fund redemption) shall be given by the Bond Registrar by registered or certified mail, not less than thirty (30) nor more than forty-five (45) days prior to the redemption date, to the Bondholder, as of the Record Date, of each Series 2009 Bond which is subject to redemption, at the address of such Bondholder as it appears on the registration books of the Issuer kept by the Bond Registrar, or at such other address as is furnished to the Bond Registrar in writing by such Bondholder on or prior to the Record Date. Each notice of redemption shall state the Record Date, the redemption date, the place of redemption, the principal amount, the series designation and, if less than all, the distinctive numbers of the Series 2009 Bonds or portions of Series 2009 Bonds to be redeemed, and shall also state that the interest on the Series 2009 Bonds in such notice designated for redemption shall cease to accrue from and after such redemption date upon payment of such redemption price and that on said date there will become due and payable on each of said Series 2009 Bonds the principal of, interest accrued thereon to the redemption date, and premium, if any. Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Bondholder receives such notice. Failure to give such notice or any defect therein with respect to any Series 2009 Bond shall not affect the validity of the proceedings for redemption with respect to any other Series 2009 Bond.

Section 2.8 Optional Tender of Series 2009 Bonds; Mandatory Purchase by Issuer.

(a) On an Optional Tender Date, any Bondholder of the Series 2009 Bonds may deliver to the Issuer an Optional Tender Notice that requires the Issuer to purchase, in whole or in part, the Outstanding Series 2009 Bonds owned by such Bondholder on such Optional Tender Date, on the Mandatory Purchase Date specified by such Bondholder in such Optional Tender Notice. An Optional Tender Notice, once delivered to the Issuer, shall be irrevocable with respect to the Series 2009 Bonds subject thereto. Any Bondholder of Series 2009 Bonds

may deliver an Optional Tender Notice to the Issuer on any Optional Tender Date and from time to time so long as it owns any Series 2009 Bonds. The Bondholder that has delivered an Optional Tender Notice to the Issuer shall also deliver a copy thereof to the Trustee within five days after its delivery to the Issuer, but failure to deliver such copy to the Trustee shall not affect in any manner the Issuer's obligation to pay the purchase price for the tendered Series 2009 Bonds on the Mandatory Purchase Date. Any other Bondholder may elect in writing within twenty (20) Business Days of receiving written notice of such Optional Tender Notice to require the Issuer to purchase, in whole or in part, the Outstanding Series 2009 Bonds owned by such Bondholder on the same Mandatory Purchase Date specified in such Optional Tender Notice.

(b) The Issuer shall purchase or shall cause its designee to purchase such tendered Series 2009 Bonds on the specified Mandatory Purchase Date at a purchase price equal to one hundred percent (100%) of the aggregate unpaid principal amount of such Series 2009 Bonds, together with accrued interest thereon to such Mandatory Purchase Date. The sale of the Series 2009 Bonds so tendered to the Issuer or its designee will take place at 10:00 a.m. (Mountain Time) on the specified Mandatory Purchase Date at such place in Salt Lake City, Utah, as the Bondholder shall designate. On the Mandatory Purchase Date, the Issuer or its designee shall deliver to such Bondholder such amounts as shall be necessary to pay the purchase price for the Series 2009 Bonds to be purchased by the Issuer or its designee, and such Bondholder of the Series 2009 Bonds being tendered shall deliver such Bonds registered in its name to the Issuer or its designee with the assignment of such Bonds appropriately executed, against payment of the purchase price by the Issuer or its designee in federal or other immediately available funds. The sale of the Series 2009 Bonds shall be without recourse to the Bondholder and without any warranties and representations, express or implied, by the Bondholder except that the Bondholder shall warrant its authority to make the transfer of its title to the Series 2009 Bonds sold by it, shall warrant such title is not encumbered or subject to the interest of any other person, and shall indemnify and hold harmless the Issuer against all costs and expenses (including, without limitation, attorneys' fees) incurred as a result of the claim of any other persons to title to the Series 2009 Bonds immediately prior to the sale. The Issuer's failure to purchase all Series 2009 Bonds tendered pursuant to this Section on the specified Mandatory Purchase Date shall constitute an Event of Default, and the non-purchased, but tendered, Series 2009 Bonds shall accrue interest at the Default Rate from such Mandatory Purchase Date until paid in full.

Section 2.9 Delivery of Series 2009 Bonds. The Series 2009 Bonds shall be delivered to their respective Registered Owners at such time and place as determined by the Issuer and said Bondholders. The Treasurer of the Issuer is hereby instructed to deliver the Series 2009A Bonds to USAA in exchange for the Series 2009A Notes, which are surrendered for cancellation by the Issuer, upon prepayment to USAA of a portion of the Series 2009A Notes in accordance with Section 2.10 and the Issuer's receipt from USAA of additional borrowed funds in the amount of \$285,911 to be applied (together with other borrowed funds) as provided in Section 2.10. The Treasurer of the Issuer is

hereby instructed to deliver the Series 2009B Bonds to Wells Fargo in exchange for the Series 2009B Notes, which are surrendered for cancellation by the Issuer, upon prepayment to Wells Fargo of a portion of the Series 2009B Notes in accordance with Section 2.10 and the Issuer's receipt from Wells Fargo of additional borrowed funds in the amount of \$158,231 to be applied (together with other borrowed funds) as provided in Section 2.10. The Treasurer of the Issuer is hereby instructed to deliver the Series 2009C Bonds to Koch Financial in exchange for the Series 2009C Notes, which are surrendered for cancellation by the Issuer, upon prepayment to Koch Financial of a portion of the Series 2009C Notes in accordance with Section 2.10 and the Issuer's receipt from Koch Financial of additional borrowed funds in the amount of \$155,239 to be applied (together with other borrowed funds) as provided in Section 2.10.

Prior to the authentication and delivery by the Trustee of each series of Bonds there shall have been filed with the Trustee:

(a) A copy, duly certified by the Secretary, of this Indenture (to the extent not theretofore so filed).

(b) A copy, certified by the Secretary, of the proceedings of the Council approving the execution and delivery of Indenture and the Series 2009 Bonds, together with a certificate, dated as of the date of authentication, of the Secretary that such proceedings are still in force and effect without amendments except as shown in such proceedings.

(c) A request and authorization of the Issuer to the Trustee to authenticate the Series 2009 Bonds in the aggregate principal amount therein specified and deliver them to purchasers therein identified upon payment to the Trustee, for account of the Issuer, of the sum specified therein.

(d) An opinion of bond counsel dated the date of authentication of the Series 2009 Bonds to the effect that (a) the Issuer has duly authorized the execution and delivery of this Indenture and the issuance and delivery of Series 2009 Bonds, and this Indenture has been duly executed and delivered by the Issuer and is a valid and binding agreement of the Issuer enforceable in accordance with its terms with standard limitations regarding bankruptcy, equitable remedies and judicial discretion; (b) this Indenture creates the valid pledge which it purports to create of the Assessments, all monies in the funds and accounts held by the Trustee hereunder (other than the Rebate Fund) and all other rights herein granted for further securing the Series 2009 Bonds; (c) the Series 2009 Bonds are valid and binding obligations of the Issuer, entitled to the benefits and security of this Indenture; and (d) interest on the Series 2009 Bonds is excludable from Federal income tax and is exempt from State of Utah individual income taxes, provided that such opinion may contain limitations acceptable to the purchaser of such Series of Bonds.

(e) Such other documents and opinions as the Trustee or purchasers of the Series 2009 Bonds shall reasonably request.

Section 2.10 Application of Moneys upon Issuance of Series 2009 Bonds. The Issuer shall concurrently with the issuance of the Series 2009 Bonds, deposit with the Trustee the proceeds of the Series 2009 Bonds in the amount of \$4,336,657.18 and the Trustee shall apply said proceeds as follows:

(a) \$4,085,000 shall be deposited in the Debt Service Reserve Fund established herein; and

(b) the remaining proceeds shall be deposited in the Cost of Issuance Fund established herein and used to pay for costs with respect to the issuance of the Series 2009 Bonds and the Series 2009 Notes.

Concurrently with the issuance of the Series 2009 Bonds, the Issuer shall transfer to the Trustee prepayments of Assessments previously received from certain of the property owners of the properties assessed within the District, the sum of \$4,491,288.56 for deposit in the Note Fund established with respect to the Series 2009 Notes, which the Trustee shall apply on the Original Issue Date to prepayment of a portion of the Series 2009 Notes as follows: \$2,157,806.25 shall be applied on the Original Issue Date to prepayment of a portion of the Series 2009A Notes; \$1,166,574.02 shall be applied on the Original Issue Date to prepayment of a portion of the Series 2009B Notes; and \$1,166,908.29 shall be applied on the Original Issue Date to prepayment of a portion of the Series 2009C Notes.

Section 2.11 Further Action. The Chair, the Manager, Treasurer, and the Secretary of the Issuer and other officers of the Issuer are, and each of them is, hereby authorized to do or perform all such acts and to execute all such certificates, documents and other instruments as may be necessary or advisable to provide for the issuance, sale, registration, and delivery of the Series 2009 Bonds.

Section 2.12 Book-Entry System.

(a) Each series of the Series 2009 Bonds shall be initially issued in the form of a separate single certificated fully registered Series 2009 Bond for the stated maturity. Upon initial issuance, the ownership of each Series 2009 Bond shall be registered in the registration books kept by the Bond Registrar in the name of Cede, as nominee of DTC. Except as provided in subsection (d) hereof, all of the Outstanding Series 2009 Bonds shall be registered in the registration books kept by the Bond Registrar in the name of Cede, as nominee of DTC.

(b) With respect to Series 2009 Bonds registered in the registration books kept by the Bond Registrar in the name of Cede, as nominee of DTC, the Issuer, the Trustee, the Bond Registrar, and the Paying Agent shall have no responsibility or obligation to any Participant or to any person on behalf of which a Participant holds an interest in the Series 2009 Bonds. Without limiting the immediately preceding sentence, the Issuer, the Bond Registrar, the Paying Agent, and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede or any Participant with respect to any

ownership interest in the Series 2009 Bonds, (ii) except as otherwise provided in this Indenture, the delivery to any Participant or any other person, other than a Bondholder, as shown in the registration books kept by the Bond Registrar, of any notice with respect to the Series 2009 Bonds, including any notice of redemption, or (iii) the payment to any Participant or any other person, other than a Bondholder, as shown in the registration books kept by the Bond Registrar, of any amount with respect to principal of, premium, if any, or interest on the Series 2009 Bonds. The Issuer, the Bond Registrar, the Paying Agent, and the Trustee may treat and consider the person in whose name each Series 2009 Bond is registered in the registration books kept by the Bond Registrar as the holder and absolute Owner of such Series 2009 Bond for the purpose of payment of principal, premium and interest with respect to such Series 2009 Bond, for the purpose of giving notices of redemption and other matters with respect to such Series 2009 Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Paying Agent shall pay all principal of, premium, if any, the interest on the Series 2009 Bonds only to or upon the order of the respective Bondholders, as shown in the registration books kept by the Bond Registrar, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to payment of principal of, premium, if any, and interest on the Series 2009 Bonds to the extent of the sum or sums so paid. No person other than a Bondholder, as shown in the registration books kept by the Bond Registrar, shall receive a certificated Series 2009 Bond evidencing the obligation of the Issuer to make payments of principal, premium, if any, and interest pursuant to this Indenture. Upon delivery by DTC to the Bond Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede, and subject to the provisions herein with respect to Record Dates, the word "Cede" in this Indenture shall refer to such new nominee of DTC; and upon receipt of such a notice the Bond Registrar shall promptly deliver a copy of the same to the Trustee, if the Trustee is other than the Bond Registrar.

(c) The Issuer has previously issued a Representation Letter which Representation Letter is attached hereto as Exhibit B. The execution and delivery of the Representation Letter shall not in any way limit the provisions of subsection (b) hereof or in any other way impose upon the Issuer any obligation whatsoever with respect to persons having interests in the Series 2009 Bonds other than the Bondholders, as shown on the registration books kept by the Bond Registrar. The Bond Registrar shall take all action necessary for all representations of the Issuer in the Representation Letter and DTC's operational arrangements with respect to the Paying Agent and the Bond Registrar, respectively, to at all times be complied with.

(d) (i) DTC may determine to discontinue providing its services with respect to the Series 2009 Bonds at any time by giving notice to the Issuer, the Trustee, and the Bond Registrar and discharging its responsibilities with respect thereto under applicable law.

(ii) The Issuer, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Series 2009 Bonds if the Issuer determines that:

(A) DTC is unable to discharge its responsibilities with respect to the Series 2009 Bonds, or

(B) a continuation of the requirement that all of the Outstanding Series 2009 Bonds be registered in the registration books kept by the Bond Registrar in the name of Cede, or any other nominee of DTC, is not in the best interest of the beneficial owners of the Series 2009 Bonds.

(iii) Upon the discontinuance or termination of the services of DTC with respect to the Series 2009 Bonds pursuant to this subsection (d) after which no substitute securities depository willing to undertake the functions of DTC hereunder can be found which, in the opinion of the Issuer, is willing and able to undertake such functions upon reasonable and customary terms, the Issuer is obligated to deliver Bond certificates at its own expense to the beneficial owners of the Series 2009 Bonds, as described in this Indenture and the Series 2009 Bonds shall no longer be restricted to being registered in the registration books kept by the Bond Registrar in the name of Cede as nominee of DTC, but may be registered in whatever name or names Series 2009 Bondholders transferring or exchanging Series 2009 Bonds shall designate, in accordance with the provisions of this Indenture.

(e) Notwithstanding any other provision of this Indenture to the contrary, so long as any Series 2009 Bond is registered in the name of Cede, as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Series 2009 Bond and all notices with respect to such Series 2009 Bond shall be made and given in the manner provided in the Representation Letter and DTC's operational arrangements.

ARTICLE III
EXECUTION, TRANSFER, AND EXCHANGE OF
SERIES 2009 BONDS; BOND REGISTRAR

Section 3.1 Execution of Series 2009 Bonds. The Series 2009 Bonds shall be executed on behalf of the Issuer by the Chair and attested by the Secretary (the signatures of said Chair and Secretary being either manual and/or by facsimile) and the seal of the Issuer or a facsimile thereof shall be impressed or imprinted thereon. The use of such facsimile signatures of said Chair and Secretary and such facsimile of the seal of the Issuer on the Series 2009 Bonds are hereby authorized, approved, and adopted by the Issuer as the authorized and authentic execution, attestation, and sealing of the Series 2009 Bonds by said officials. The Series 2009 Bonds shall then be delivered to the Bond Registrar for manual authentication. The Certificate of Authentication shall be substantially in the form provided in Article XI hereof. Only such of the Series 2009 Bonds as shall bear thereon a Certificate of Authentication, manually executed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Bond Registrar shall be conclusive evidence that the Series 2009 Bonds so certified have been duly registered and delivered under, and are entitled to the benefits of, this Indenture and that the Bondholder thereof is entitled to the benefits of this Indenture. The Certificate of Authentication of the Bond Registrar on any Series 2009 Bond shall be deemed to have been executed if (a) such Series 2009 Bond is signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication on all of the Series 2009 Bonds issued hereunder or that all of the Series 2009 Bonds hereunder be certified as registered by the same Bond Registrar, and (b) the date of authentication of the Series 2009 Bond is inserted in the place provided therefor on the Certificate of Authentication.

In case any officer whose signature or a facsimile of whose signature shall appear on any Series 2009 Bond (including any Exchange Bond) shall cease to be such officer before the issuance or delivery of such Series 2009 Bond, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until such issuance or delivery, respectively.

Section 3.2 Transfer of Series 2009 Bonds. Except as otherwise provided in Section 2.12:

(a) Any Series 2009 Bond may, in accordance with its terms, be transferred, upon the registration books kept by the Bond Registrar pursuant to Section 3.4 hereof, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Series 2009 Bond for cancellation at the principal office of the Bond Registrar, accompanied by delivery of a written instrument of transfer in a form approved by the Bond Registrar, duly executed. No transfer shall be effective until entered on the registration books kept by the Bond Registrar. Any Series 2009 Bond (including

any interest therein) may only be registered in the name of, and transferred to, a transferee whom the transferring Bondholder reasonably believes qualifies as a "qualified institutional buyer" within the meaning of Rule 144A promulgated under the Securities Act of 1933, as amended. The Issuer, the Bond Registrar and the Paying Agent may treat and consider the person in whose name each Series 2009 Bond is registered in the registration books kept by the Bond Registrar as the holder and absolute owner thereof for the purpose of receiving payment of, or on account of, the principal or redemption price thereof and interest due thereon and for all other purposes whatsoever.

(b) Whenever any Series 2009 Bond or Bonds shall be surrendered for transfer, the Bond Registrar shall authenticate and deliver a new fully registered Series 2009 Bond or Bonds (which may be an Exchange Bond or Bonds pursuant to Section 3.3 hereof) of the same series, designation, maturity and interest rate and of authorized denominations duly executed by the Issuer, for a like aggregate principal amount. The Bond Registrar shall require the payment by the Bondholder requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer. With respect to each Series 2009 Bond, no such transfer shall be required to be made (i) after the Record Date with respect to any Interest Payment Date to and including such Interest Payment Date, or (ii) after the Record Date with respect to any redemption of such Series 2009 Bond.

(c) The Issuer shall not be required to register the transfer of or exchange any Series 2009 Bond selected for redemption in whole or in part, except the unredeemed portion of Series 2009 Bonds being redeemed in part. Upon surrender of any Series 2009 Bond redeemed in part only, the Issuer shall execute and the Bond Registrar shall authenticate and deliver to the Bondholder, at the expense of the Issuer, a new Series 2009 Bond or Bonds (which may be an Exchange Bond or Bonds pursuant to Section 3.3 hereof) of the same series, designation, maturity and interest rate and of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Section 3.3 Exchange of Series 2009 Bonds. Series 2009 Bonds may be exchanged at the principal corporate trust office of the Bond Registrar for a like aggregate principal amount of fully registered Series 2009 Bonds (which may be an Exchange Bond or Bonds pursuant to this Section 3.3) of the same series, designation, maturity and interest rate and other authorized denominations. The Bond Registrar shall require the payment by the Bondholder requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. With respect to each Series 2009 Bond, no such exchange shall be required to be made (a) with respect to any Interest Payment Date after the Record Date to and including such Interest Payment Date or (b) with respect to any redemption of any Series 2009 Bond, after such Record Date as shall be specified by the Bond Registrar in the notice of redemption.

Section 3.4 Bond Registration Books. This Indenture shall constitute a system of registration within the meaning and for all purposes of the Registered Public

Obligations Act, Title 15, Chapter 7, Utah Code Annotated 1953. The Bond Registrar shall keep or cause to be kept, at its principal office, sufficient books for the registration and transfer of the Series 2009 Bonds, which shall at all times be open to inspection by the Issuer; and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Series 2009 Bonds as herein provided.

Section 3.5 List of Bondholders. The Bond Registrar shall maintain a registration book of the names and addresses of the Bondholders of all Series 2009 Bonds and upon any transfer shall add the name and address of the new Bondholder and eliminate the name and address of the transferor Bondholders.

Section 3.6 Duties of Bond Registrar. If requested by the Bond Registrar, the Chair, and Secretary are authorized to execute the Bond Registrar's standard form of agreement between the Issuer and the Bond Registrar with respect to the compensation, obligations, and duties of the Bond Registrar hereunder, which may include the following:

- (a) to act as Bond Registrar, authenticating agent, Paying Agent, and transfer agent as provided herein;
- (b) to maintain a list of Bondholders as set forth herein and to furnish such list to the Issuer upon request, but otherwise to keep such list confidential;
- (c) to give notice of redemption of Series 2009 Bonds as provided herein;
- (d) to cancel and/or destroy Series 2009 Bonds which have been paid at maturity or upon earlier redemption or submitted for exchange or transfer;
- (e) to furnish the Issuer at least annually a certificate with respect to Series 2009 Bonds canceled and/or destroyed; and
- (f) to furnish the Issuer at least annually an audit confirmation of Series 2009 Bonds paid, Series 2009 Bonds outstanding and payments made with respect to interest on the Series 2009 Bonds.

ARTICLE IV

CREATION OF FUNDS AND ACCOUNTS

Section 4.1 Creation of Assessment Fund. There is hereby created and ordered established in the custody of the Issuer a fund in the name of the Issuer referred to as the Assessment Fund. For accounting purposes, the Assessment Fund may be redesignated by different account names by the Issuer from time to time.

Section 4.2 Creation of Bond Fund. There is hereby created and ordered established in the custody of the Trustee a special trust fund in the name of the Issuer referred to as the Bond Fund. Within the Bond Fund, there is hereby created and ordered established one account—the Redemption Account.

Section 4.3 Creation of Debt Service Reserve Fund. Consistent with the terms of the Assessment Ordinance, there is hereby created and ordered established in the custody of the Trustee a special trust fund in the name of the Issuer referred to as the Debt Service Reserve Fund.

Section 4.4 Creation of Cost of Issuance Fund. There is hereby created and ordered established in the custody of the Trustee a special trust account in the name of the Issuer referred as the Cost of Issuance Fund.

Section 4.5 Creation of Rebate Fund. There is hereby created and ordered established in the custody of the Trustee a special trust account in the name of the Issuer referred as the Rebate Fund.

ARTICLE V

USE OF FUNDS

Section 5.1 Use of Assessment Fund. All payments of Assessments received and collected by the Issuer pursuant to the Assessment Ordinance, including Assessments received from the foreclosure sale of delinquent properties shall be deposited upon receipt in the Assessment Fund and shall be transferred to the Trustee within ten (10) days after receipt for deposit in the funds and accounts in the specified order of priority, each priority being fully paid before funds are used to pay any lower priority and no payment being made on any priority if funds have been exhausted in the payment of higher priorities, as follows:

(a) *First*, all regularly scheduled payments of Assessments shall be deposited by the Trustee in the Bond Fund to pay the principal of and interest on the Series 2009 Bonds on each Interest Payment Date and at maturity or upon mandatory sinking fund redemption and to fund the Debt Service Reserve Fund as provided in Section 5.3 herein;

(b) *Second*, all prepayments of Assessments, including prepayment premiums, shall be deposited by the Trustee in the Redemption Account within the Bond Fund to redeem Series 2009 Bonds as provided in Section 2.7(a) or (c);

(c) *Third*, Assessments received from the foreclosure sale of delinquent property sufficient to replenish the Debt Service Reserve Fund for draws made thereon to pay principal of or interest on Series 2009 Bonds when due, shall be deposited into the Debt Service Reserve Fund;

(d) *Fourth*, all remaining Assessments received from the foreclosure sale of delinquent property shall be deposited by the Trustee in the Redemption Account within the Bond Fund to redeem Series 2009 Bonds pursuant to Section 2.7(b); and

(e) *Fifth*, any amounts paid to cover the administration costs of the Issuer shall be remitted to the Issuer.

Subject to payment of each of the priorities set forth above and so long as no Event of Default shall have occurred and then be continuing, any amounts then held by the Issuer in the Assessment Fund may be used to pay principal of and interest on any Additional Obligations. Upon the occurrence, and during the continuance, of any Event of Default, the Issuer shall not disburse any funds from the Assessment Fund except for transfers to the Trustee for the purposes and in the priority described above.

Section 5.2 Use of Bond Fund.

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

- (i) the amounts provided for in Section 5.1 herein;
 - (ii) moneys transferred from the Debt Service Reserve Fund as provided in Section 5.3 herein;
 - (iii) all other moneys received by the Trustee hereunder when accompanied by directions from the person depositing such moneys that such moneys are to be paid into the Bond Fund.
- (b) Except as provided in this Section, moneys in the Bond Fund shall be expended solely for the payment of principal or purchase price of and interest on the Series 2009 Bonds as the same become due, at maturity, upon earlier redemption, or tender.

The Issuer hereby authorizes and directs the Trustee to withdraw sufficient moneys from the Bond Fund to pay principal or purchase price of and interest on the Series 2009 Bonds as the same become due and payable at maturity or upon earlier redemption or tender and to make said moneys so withdrawn available to the Paying Agent for the purpose of paying said principal, purchase price and interest.

Section 5.3 Use of Debt Service Reserve Fund. Except as otherwise provided in this Section, moneys on deposit in the Debt Service Reserve Fund shall at all times be maintained in an amount not less than the Debt Service Reserve Requirement. Upon the issuance of the Series 2009 Bonds, the Issuer shall deposit \$4,085,000 of proceeds in the Debt Service Reserve Fund as provided in Section 2.10 herein. Thereafter, regularly scheduled payments of Assessments in excess of the amount required to timely pay principal and interest on the Series 2009 Bonds as provided in Section 5.1(a) herein shall be deposited into the Debt Service Reserve Fund until there shall be on deposit therein an amount not less than the Debt Service Reserve Requirement as adjusted in accordance with this Section 5.3. Moneys on deposit in the Debt Service Reserve Fund shall be used to make up any deficiencies in the Bond Fund for the payment of the Series 2009 Bonds when due. If at any time the amount on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Requirement as adjusted herein, the Issuer shall replenish the Debt Service Reserve Fund from proceeds received from the foreclosure sale of delinquent property as provided in the Act. The Debt Service Reserve Requirement shall be adjusted as the Assessments on parcels of property are paid in full, in which case the Debt Service Reserve Requirement shall be reduced by that portion of the Debt Service Reserve Fund attributable to those prepaid Assessments. The Issuer shall give written instruction to the Trustee as to the amounts of money in the Debt Service Reserve Fund to be transferred from the Debt Service Reserve Fund to the Redemption Account within the Bond Fund to redeem Series 2009 Bonds.

Moneys at any time on deposit in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement shall on August 1 of each year be transferred to the Bond Fund to be used to pay principal and/or interest on the Series 2009 Bonds as the same come due. All payments of Assessments coming due on the next assessment

payment date shall be reduced pro rata as a result of said transfer from the Debt Service Reserve Fund. Upon the final payment of the Series 2009 Bonds, moneys on deposit in the Debt Service Reserve Fund shall be applied by the Trustee to said final payment, and any excess moneys on deposit thereafter shall at the written direction of the Issuer, be remitted to the owners of assessed property as an overpayment of Assessments.

The Debt Service Reserve Fund shall be replenished only from moneys collected by the Issuer from the foreclosure and sale of delinquent property.

Section 5.4 Costs of Issuance Fund. Upon receipt from the Issuer of an executed Costs of Issuance Disbursement Report in substantially the form of Exhibit A attached hereto, the Trustee will disburse from the Costs of Issuance Account the amounts to the parties identified on the Costs of Issuance Disbursement Request. The amount of \$15,000 shall be maintained in the Costs of Issuance Account until such time as it shall be requisitioned by the Issuer to pay the cost of an appraisal requested by the Bondholders pursuant to Section 12.4 herein.

Section 5.5 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 Series 2009 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 this 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 the Series 2009 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 such accountant's or professional's determination report, be paid by the Trustee to the Issuer.

(c) The Issuer shall determine the amount of Rebatable Arbitrage and the corresponding Required Rebate Deposit with respect to the Series 2009 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, (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 5.5 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 5.5.

(d) The Trustee shall, at least sixty (60) days prior to each Rebate Calculation Date, notify the Issuer of the requirements of this Section 5.5. By agreeing to give this 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 5.5 may be amended or deleted without Bondholder 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 for federal tax purposes of interest on the Series 2009 Bonds.

Section 5.6 Investment of Funds. All moneys in the Bond Fund, the Debt Service Reserve Fund, the Costs of Issuance Fund, and the Rebate Fund, may, at the discretion and written authorization of the Issuer, be invested by the Trustee in Qualified Investments. All income derived from the investment of the Bond Fund, the Rebate Fund, the Debt Service Reserve Fund and Cost of Issuance Fund shall be maintained in said Funds respectively and shall be disbursed along with the other moneys on deposit therein as herein provided.

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 Series 2009 Bonds being considered "arbitrage bonds" within the meaning of the Code or the Treasury Regulations proposed or promulgated thereunder, or to otherwise preserve the exclusion of interest payable or paid on the Series 2009 Bonds from gross income for federal income tax purposes, the Issuer may require 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.

Section 5.7 Trust Funds. All moneys and Series 2009 Bonds received by the Trustee under the provisions of this Indenture shall be trust funds under the terms hereof

and shall not be subject to lien or attachment of any creditor of the State or any political subdivision, body, agency, or instrumentality thereof or of the Issuer and shall not be subject to appropriation by any legislative body or otherwise. Such moneys and Series 2009 Bonds shall be held in trust and applied in accordance with the provisions hereof. Except as provided otherwise in Section 5.4 herein, unless and until disbursed pursuant to the terms hereof, all such moneys and Series 2009 Bonds (and the income therefrom) shall be held by the Trustee as security for payment of the principal, premium, if any, and interest on the Series 2009 Bonds and the fees and expenses of the Issuer and Trustee payable hereunder.

Section 5.8 Method of Valuation and Frequency of Valuation. In computing the amount in any fund or account, Qualified Investments shall be valued at market. 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 the securities therein shall be valued immediately after such withdrawal.

ARTICLE VI

COVENANTS AND UNDERTAKINGS

Section 6.1 Covenants of Issuer. All covenants, statements, representations, and agreements contained in the Series 2009 Bonds, and all recitals and representations in this Indenture are hereby considered and understood as the covenants, statements, representations, and agreements of the Issuer.

Section 6.2 Ratification of Prior Proceedings. All the proceedings heretofore taken and adopted for the creation of the District and for the construction of the Improvements and the assessment of the cost of constructing such Improvements on and against the private properties in the District as set forth in the Assessment Ordinance shall be and the same are hereby ratified, approved, and confirmed. No Assessment will exceed the benefit to be derived directly or indirectly from the Improvements by the property assessed, and no parcel of property will bear more than its proportionate share of the cost of the Improvements to be made.

Section 6.3 Levy and Collection of Assessments. The Treasurer shall be and is hereby authorized and empowered, and it shall be his/her duty to receive and collect all Assessments levied to pay the cost of the Improvements of the District, the installments thereon, the interest thereon, and the penalties accrued thereon, including without limiting the generality of the foregoing, the whole of the unpaid principal, interest and penalties accrued which become due and payable immediately because of the failure to pay any installment whether of principal or interest, when due, and to pay and disburse such payments to the Trustee as herein provided.

Section 6.4 Lien of Assessment. The Assessments, any interest accruing on the Assessments and the penalties and costs of collection of the Assessments shall continue to constitute and are hereby declared to be a lien against the properties upon which the Assessments are levied within the District from and after the date on which the Assessment Ordinance became effective. Said lien shall be superior to the lien of any trust deed, mortgage, mechanic's or materialman's lien, or other encumbrance, and shall be equal to and on a parity with the lien for general property taxes. Said lien shall apply without interruption, change in priority, or alteration in any manner to any reduced obligations and shall continue until the Assessment and any interest, penalties, and costs thereon are paid in full, notwithstanding any sale of the property for or on account of a delinquent general property tax, special tax, other assessment or otherwise, or the issuance of a tax deed, an assignment of interest by the Issuer, or a sheriff's certificate of sale or deed.

Section 6.5 Default in Payment of Assessments. In the event a default occurs in the payment of any installment of principal or interest of the Assessments levied pursuant to the Assessment Ordinance when due, the Issuer shall (a) either declare the unpaid amount delinquent and subject to collection or declare the whole of the unpaid Assessment immediately due and payable and subject to collection, (b) provide notice of such default, and (c) following the lapse of a 15-day period to remedy the default

provided in the Notice, all as provided in the Assessment Ordinance, the Issuer shall immediately initiate and diligently pursue to completion a summary sale pursuant to Section 11-42-502 and related pertinent provisions of the Act, of all delinquent property in the manner provided for actions to foreclose trust deeds. If at the sale, no person or entity shall bid and pay the Issuer the amount due on the Assessment plus interest and costs, the property shall be deemed sold to the Issuer for these amounts. So long as the Issuer retains ownership of the property, it shall pay all delinquent Assessment installments and all Assessment installments that become due, including the interest on them. The Bondholders may at their discretion, elect to direct the Issuer to transfer ownership of the property to the owner of the Series 2009 Bonds in full satisfaction of all outstanding assessment obligations hereunder and any payment obligations of the Issuer to the Bondholder of the Series 2009 Bonds.

The remedies provided in this section for the collection of Assessments and the enforcement of liens shall be deemed and construed to be cumulative and the use of any one method or means of collection or enforcement shall not deprive the Issuer of the use of any other method or means.

Section 6.6 Limited Obligation of Issuer. Notwithstanding anything contained elsewhere herein to the contrary, the Series 2009 Bonds are not a general obligation of the Issuer or Wasatch County, Utah, but are payable exclusively out of the funds described herein. Neither the Issuer nor Wasatch County, Utah shall be liable for the payment of the Series 2009 Bonds, except to the extent of the funds created and received from (a) proceeds from the sale of any bonds issued to refund and retire the Series 2009 Bonds, (b) the Assessments including Assessments collected through foreclosure sales resulting from unpaid Assessments, and (c) moneys on deposit in the Debt Service Reserve Fund, but the Issuer shall be held responsible for the lawful levy of all Assessments, for the creation and maintenance and replenishment of the Debt Service Reserve Fund as provided herein, and for the faithful accounting, collection, settlement, and payment of the Assessments. The Issuer may apply at its sole discretion any other legally available funds or revenues to the payment of the principal and interest on the Series 2009 Bonds.

Section 6.7 Series 2009 Bonds in Registered Form. The Issuer recognizes that Section 149 of the Code requires the Series 2009 Bonds to be issued and to remain in fully registered form in order that interest thereon is excludable from gross income for federal income tax purposes under laws in force at the time the Series 2009 Bonds are delivered. In this connection, the Issuer agrees that it will not take any action to permit the Series 2009 Bonds to be issued in, or converted into, bearer or coupon form.

Section 6.8 Tax Covenant. The Issuer covenants and agrees to and for the benefit of the Bondholders that the Issuer (a) will not take any action that would cause interest on the Series 2009 Bonds to be includable in gross income for federal income tax purposes, (b) will not omit to take or cause to be taken, in timely manner, any action, which omission would cause the interest on the Series 2009 Bonds to be includable in gross income for federal income tax purposes, and (c) will, to the extent possible, comply with any other requirements of federal tax law applicable to the Series 2009 Bonds in

order to preserve the exemption from federal income taxation of interest on the Series 2009 Bonds. Pursuant to this covenant, the Issuer obligates itself to comply throughout the term of the Series 2009 Bonds with the requirements of Section 148 of the Code and the regulations promulgated thereunder, as the same presently exist, or may from time to time hereafter be amended, supplemented or revised. The Issuer further represents and covenants that no bonds or other evidences of indebtedness of the Issuer payable from the same source as the Series 2009 Bonds have been sold within the period beginning fifteen (15) days from the date of sale of the Series 2009 Bonds and ending fifteen (15) days after such date of sale.

Section 6.9 No Additional Security Interest. The Issuer covenants that so long as any Series 2009 Bonds remain Outstanding, it shall not pledge or grant any security interest in the Assessments or any investment proceeds thereof (except as expressly provided in this Indenture to secure the Series 2009 Bonds and except as provided in Section 6.10 hereof) without the prior written consent of all of the Bondholders of the Series 2009 Bonds then Outstanding.

Section 6.10 Additional Obligations. The Issuer covenants that it will not incur or issue any additional bonds, notes, leases or other obligations (herein referred to as "Additional Obligations") unless:

(a) If Assessments are pledged to secure payment of the Additional Obligations, said pledge of the Assessments and investment proceeds thereof shall be expressly subject and subordinate to the pledge of Assessments to secure payment of the Series 2009 Bonds;

(b) Proceeds received by the Issuer from the Additional Obligations are used only to finance the costs of completion of the Improvements, including the costs of funding a reserve fund and the payment of costs of issuance;

(c) The Issuer provides at least ten (10) Business Days' prior written notice to the Bondholders of the Series 2009 Bonds of the source of funding of such Additional Obligations, including the identity of the lender, the terms for such financing and such other information as any of the Bondholders may reasonably request; and

(d) If the Additional Obligations exceed \$2,514,466.54 in total aggregate principal amount, the Issuer obtains the prior written consent of the Bondholders of at least a majority in aggregate principal amount of the Series 2009 Bonds then Outstanding consenting to the incurrence and issuance of such Additional Obligations.

ARTICLE VII

THE TRUSTEE

Section 7.1 Acceptance of the Trusts. The Trustee accepts the trusts imposed upon it hereby, and agrees to perform said trusts as a corporate trustee ordinarily would perform said trusts under a corporate indenture, but no implied covenants or obligations shall be read into this Indenture against the Trustee.

(a) The Trustee may execute any of the trusts or powers thereof and perform any of its duties by or through attorneys, agents, receivers, or employees but shall be answerable for the conduct of the same in accordance with the standard specified above, and shall be entitled to advice of counsel concerning all matters of trusts hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers, and employees as may reasonably be employed in connection with the trusts hereof. The Trustee may act upon the opinion or advice of counsel. The Trustee shall not be responsible for any loss or damage resulting from any action or non-action in good faith in reliance upon such opinion or advice.

(b) The Trustee shall not be responsible for any recital herein, or in the Series 2009 Bonds or for the validity of the execution by the Issuer of this Indenture or of any amendments thereto or instruments of further assurance, or for the sufficiency of the security for the Series 2009 Bonds issued hereunder or intended to be secured hereby; and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements, on the part of the Issuer; but the Trustee may require of the Issuer full information and advice as to the performance of the covenants, conditions, and agreements aforesaid and as to the condition of the property herein conveyed. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with the provisions hereof.

(c) The Trustee shall not be accountable for the use of any Series 2009 Bonds authenticated or delivered hereunder, except as specifically set forth herein. The Trustee may become the owner of Series 2009 Bonds secured hereby with the same rights which it would have if not Trustee.

(d) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram, or other paper or document reasonably believed to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant hereto upon the request of Issuer or consent of any person who at the time of making such request or giving such Issuer or consent is the Registered Owner of any Series 2009 Bond, shall be conclusive and binding upon all future Bondholders of the same Series 2009 Bond and upon Series 2009 Bonds issued in exchange therefor or in place thereof.

(e) As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper, or proceeding, the Trustee shall be entitled to rely upon a certificate signed on behalf of the Issuer by its Chair and attested by its Secretary as sufficient evidence of the facts therein contained. The Trustee may accept a certificate of the Secretary of the Issuer under its seal to the effect that a resolution in the form therein set forth has been adopted by the Issuer as conclusive evidence that such resolution has been duly adopted, and is in full force and effect.

(f) The permissive right of the Trustee to do things enumerated herein shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful misconduct.

(g) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder except an Event of Default that occurs under Sections 8.1(a) 8.1(b) or 8.1(c) and a failure to fund or replenish the Debt Service Reserve Fund as provided herein, unless the Trustee shall be specifically notified in writing of such default by the Issuer or by the Registered Owners of at least a majority in the aggregate principal amount of the Series 2009 Bonds then Outstanding and all notices or other instruments required hereby to be delivered to the Trustee must, in order to be effective, be delivered at the Principal Corporate Trust Office of the Trustee, and in the absence of such notice so delivered, the Trustee may conclusively assume there is no Event of Default except as aforesaid.

(h) At any and all reasonable times and upon reasonable prior written notice, the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants, and representatives shall have the right fully to inspect all books, papers, and records of the Issuer pertaining to the Series 2009 Bonds, and to take such memoranda from and in regard thereto as may be desired.

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

(j) All moneys received by the Trustee or the Paying Agent shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law. Neither the Trustee nor the Paying Agent shall be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

(k) The Trustee shall exercise such of the rights and powers vested in it hereby and shall use the same degree of care as a prudent man would exercise or use in the circumstances in the conduct of his own affairs.

(l) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order, or direction of any of the Bondholders, pursuant to the provisions of this Indenture, unless such Bondholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses, and liabilities which may be incurred therein or thereby.

Section 7.2 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 hereunder 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 Series 2009 Bonds as hereinabove provided. The Issuer shall pay and reimburse the Trustee for its fees and expenses as provided in this Section solely from amounts available to the Issuer in the priority set forth in Section 5.1(e), Fifth.

Section 7.3 Notice to Registered Owners if Event of Default Occurs. The Trustee shall give written notice of any Event of Default (as herein defined) relating to any Event of Default that occurs under Sections 8.1(a) 8.1(b) or 8.1(c), by registered or certified mail to all Registered Owners of all Series 2009 Bonds then Outstanding shown on the registration books of the Series 2009 Bonds kept by the Trustee as Registrar for the Series 2009 Bonds.

Section 7.4 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 Series 2009 Bonds, the Trustee shall intervene on behalf of such Bondholders if requested in writing by the Registered Owners of at least a majority in aggregate principal amount of the Series 2009 Bonds then Outstanding. The rights and obligations of the Trustee under this Section are subject to the approval of a court of competent jurisdiction.

Section 7.5 Successor Trustee. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation, or transfer to which it is a party, ipso facto, shall be and become successor Trustee hereunder and vested with all of the title to the whole property or trust estate and all the trusts, powers, discretions, immunities, privileges, and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed of conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

Section 7.6 Resignation by the Trustee. The Trustee and any successor Trustee may at any time resign from the trusts hereby created by giving written notice to the Issuer, served personally or by registered mail, and by registered or certified mail to each Registered Owner of Series 2009 Bonds then Outstanding, and such resignation

shall take effect upon the appointment of a successor Trustee by the Registered Owners or by the Issuer as provided in Section 7.8 hereof; provided, however that if no successor Trustee has been appointed within sixty (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.

Section 7.7 Removal of the Trustee. The Trustee may be removed at any time by an instrument or concurrent instruments in writing delivered to the Trustee, and signed by the Issuer (so long as the Issuer is not in default under any of its obligations hereunder) or signed by the Registered Owners of at least a majority in aggregate principal amount of Series 2009 Bonds then Outstanding, provided that such instrument or instruments concurrently appoint a successor Trustee meeting the qualifications set forth herein.

Section 7.8 Appointment of Successor Trustee; Temporary Trustee. In case the Trustee hereunder shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting hereunder, 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 by the Registered Owners of a majority in aggregate principal amount of Series 2009 Bonds then Outstanding, by an instrument or concurrent instruments in writing signed by such Bondholders, or by their attorneys in fact, duly authorized; provided, nevertheless, that in case of such vacancy the Issuer by an instrument executed by its Chair and attested by its Secretary 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 (including any temporary 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.

Section 7.9 Concerning Any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge, and deliver to its predecessor and also to the Issuer and all Bondholders an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed, or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties, and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of the Issuer, or of the successor Trustee, execute and deliver an instrument transferring to such successor Trustee all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all Series 2009 Bonds and moneys held by it as Trustee hereunder to its successor. Should any instrument in writing from the Issuer be required by any successor Trustee for more fully and certainly vesting in such successor the estates, rights, powers, and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged, and delivered by the Issuer.

Section 7.10 Trustee Protected in Relying Indenture, Etc. This Indenture, opinions, certificates, and other instruments provided for herein may be accepted by the Trustee as conclusive evidence of the facts and conclusions stated therein and shall be full warrant and protection to the Trustee for the release of property and the withdrawal of cash hereunder.

Section 7.11 Successor Trustee; Paying Agent and Bond Registrar. In the event of a change in the office of Trustee, the predecessor Trustee which has resigned or been removed shall cease to be Trustee, Bond Registrar and Paying Agent hereunder, and the successor Trustee shall become such Trustee, Bond Registrar and Paying Agent for the Series 2009 Bonds.

Section 7.12 Trust Estate May Be Vested in Separate or Co-Trustee. It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the laws of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in case of litigation hereunder, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights, or remedies herein granted to the Trustee or hold title to the trust estate, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate or co-trustee.

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

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

Section 7.13 Accounting. The Trustee shall prepare a written quarterly accounting for each calendar quarter by the end of the month following each such calendar quarter showing in reasonable detail all financial transactions relating to the funds and accounts held by the Trustee hereunder during the accounting period and the

balance in any funds or accounts created hereby as of the beginning and close of such accounting period, and shall mail the same to the Issuer and the Registered Owners. On or before the end of the month following each calendar quarter, the Trustee shall, upon written request, provide to the Issuer and the Issuer's independent auditor, representations as to the accuracy of the facts contained in said financial report.

Section 7.14 Trustee's Right to Own and Deal in Series 2009 Bonds. The bank or trust company acting as Trustee under this Indenture, and its directors, officers, employees or agents, may in good faith buy, sell, own, hold, and deal in any of the Series 2009 Bonds issued hereunder and secured by this Indenture, and may join in any action which any Bondholder may be entitled to take with like effect as if such bank or trust company were not the Trustee under this Indenture.

Section 7.15 Notice to Registered Owners of an Optional Tender of Series 2009 Bonds. The Trustee shall give prompt written notice of any Optional Tender Notice delivered under Section 2.8 by registered or certified mail to all Registered Owners of all Series 2009 Bonds then Outstanding shown on the Register kept by the Bond Registrar for the Series 2009 Bonds.

ARTICLE VIII

EVENTS OF DEFAULT; REMEDIES

Section 8.1 Events of Default. Each of the following events is hereby declared an Event of Default:

(a) if payment of any installment of interest on any of the Series 2009 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 Series 2009 Bonds shall not be made by or on behalf of the Issuer when the same shall become due and payable, either at maturity, by mandatory sinking fund redemption or by proceedings for redemption in advance of maturity; or

(c) if (i) the Issuer for any reason fails to purchase the Series 2009 Bonds tendered to the Issuer pursuant to Section 2.8 herein, on the Mandatory Purchase Date established for said purchase or (ii) with respect to nontendered Series 2009 Bonds, upon the occurrence of (i) above and the election of the Bondholder of any nontendered Series 2009 Bonds by delivery to the Trustee written notice declaring that said nontendered Bonds are in default regardless of whether said Bondholder tendered any such Bonds; 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 thirty (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 law or statute of the United States of America or any state thereof; 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 sixty (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 the Issuer shall for any reason be rendered incapable of fulfilling its obligations hereunder; or

(i) if the Issuer defaults in the performance or observance of any covenant, agreement, or condition on the part of the Issuer hereunder or under the Assessment Ordinance (other than defaults mentioned in (a), (b), or (c) above) and fails to remedy the same for a period of thirty (30) days after notice of the default is given by the Trustee or Bondholders of at least a majority in aggregate principal amount of then Outstanding Series 2009 Bonds; or

(j) if the Issuer defaults in the payment of principal of or interest on any Additional Obligations when due if said Additional Obligations are secured by a pledge of the Assessments; or

(k) if, on any Interest Payment Date, the sum of (1) the amount then on deposit in the Debt Service Reserve Fund *plus* (2) payments of Assessments that are scheduled to be made on and prior to the next succeeding Interest Payment Date are less than the principal of and interest on the Series 2009 Bonds that will become due (including by operation of mandatory sinking fund redemption) on such next succeeding Interest Payment Date.

Section 8.2 Remedies; Rights of Bondholders. Upon the occurrence and continuance of any Event of Default, the Trustee may and (a) with respect to an Event of Default arising under Section 8.1(c), upon request of the Bondholders of at least twenty-five percent (25%) in aggregate principal amount of the Series 2009 Bonds then Outstanding or (b) with respect to any other Event of Default, upon request of the Bondholders of at least a majority in aggregate principal amount of the Series 2009 Bonds then Outstanding, (subject to the indemnity provisions provided herein) shall, pursue any available remedy by suit at law or in equity (including an action seeking the appointment of a receiver) to enforce payment on such Series 2009 Bonds (including payment of the purchase price on a Mandatory Purchase Date as required by Section 2.8) or to enforce any obligation of the Issuer hereunder or under the Assessment Ordinance (including, without limitation, by writ of mandamus, action for specific performance, or otherwise). No remedy conferred upon or reserved to the Trustee (or to the Bondholders) is intended to be exclusive of any other remedy, but each remedy is cumulative and is in addition to every other remedy given hereunder and under the Assessment Ordinance or at law or otherwise to the Trustee or to the Bondholders.

The Bondholders of at least a majority in aggregate principal amount of Series 2009 Bonds then Outstanding shall have the right at any time to direct, by instruments delivered to the Trustee, the method and place of conducting all proceedings to be taken by the Trustee in connection with the enforcement of the terms and conditions of this Indenture and the Assessment Ordinance; provided, that such direction is in accordance

with the provisions of law and of this Indenture and the Assessment Ordinance and the Trustee is indemnified to its satisfaction.

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 hereunder shall extend to or shall affect any subsequent Event of Default or shall impair any rights or remedies consequent thereon.

Section 8.3 Right of Bondholders to Direct Proceedings. Anything herein to the contrary notwithstanding, the Bondholders of at least a majority in aggregate principal amount of the Series 2009 Bonds then Outstanding shall have the right, at any time, to direct by written instrument delivered to the Trustee, the time, the method, and place of conducting all proceedings to be taken by the Trustee in connection with the enforcement of the terms and conditions hereof, or for the appointment of a receiver or any other proceedings hereunder; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of this Indenture.

Section 8.4 Defaulted Series 2009 Bonds; Default Rate. In the event the Trustee has insufficient moneys on deposit in the Bond Fund (after the transfer of all available moneys on deposit in the Debt Service Reserve Fund as provided in Section 5.3) to pay principal and/or interest on the Series 2009 Bonds when due and payable, the Trustee shall allocate the Delinquent Portion of the Series 2009 Bonds to the three series of Series 2009 Bonds on a pro rata basis (based upon the respective aggregate principal amount of each Series then Outstanding as a percentage of the total aggregate principal amount of Bonds then Outstanding) and shall allocate the principal component of said Delinquent Portion for each series of Series 2009 Bonds to the mandatory sinking fund payment schedule of such series set forth in Section 2.7 herein. The Delinquent Portion shall bear interest at the Default Rate beginning on the day said Delinquent Portion becomes delinquent until paid in full.

In addition, if the Issuer fails to purchase Series 2009 Bonds tendered to the Issuer pursuant to Section 2.8 herein on the Mandatory Purchase Date established for said purchase, or if the Bondholder of nontendered Series 2009 Bonds elects to declare its nontendered Bonds in default in accordance with Section 8.1(c) herein, said Series 2009 Bonds so tendered or declared to be in default shall bear interest at the Default Rate beginning on said Mandatory Purchase Date for tendered and unpurchased Bonds or on the date such Bonds are declared to be in default pursuant to Section 8.1(c) for nontendered Bonds, until paid in full and the Trustee shall be entitled to exercise such rights and remedies as are provided in this Article VIII to recover the amount of Bonds in default, together with interest at the Default Rate, until the said Bond is paid in full.

Section 8.5 Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of Trustee's fees and expenses of the proceedings resulting in the collection of

such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Bond Fund and all moneys so deposited in the Bond Fund (excluding moneys in the Redemption Account and Rebate Fund) together with any other money held in any fund established hereunder, 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 Series 2009 Bonds as follows:

(i) Unless the principal of all of the Series 2009 Bonds shall have become due and payable or the purchase price for all Series 2009 Bonds shall have become due and payable as provided in Section 8.4, all such moneys shall be applied:

FIRST—To the payment to the Bondholders entitled thereto of all installments of interest then due on the Delinquent Portion of the Series 2009 Bonds and on the tendered, but non-purchased, Bonds as provided in Section 2.8 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 of interest, then to the payment pro rata, according to the amounts due on such installment, to the Bondholders entitled thereto, without any discrimination or privilege; and

SECOND—To the payment to the Bondholders entitled thereto of the unpaid principal of and premium, if any, on the Delinquent Portion of the Series 2009 Bonds and the unpaid principal portion of the purchase price on the tendered, but non-purchased, Bonds as provided in Section 2.8 which shall have become due with interest on such Delinquent Portion or such non-purchased Bonds from the respective dates upon which they become due, and, if the amount available shall not be sufficient to pay in full the Delinquent Portion or such non-purchased Bonds due on any particular date, together with such interest, then to the payment pro rata, according to the amount of principal or purchase price due to the Bondholders entitled thereto without any discrimination or privilege.

(ii) If the principal of all the Series 2009 Bonds shall have become due and payable or the purchase price for all Series 2009 Bonds shall have become due and payable as provided in Section 8.4, all such moneys shall be applied to the payment of the principal, purchase price and interest then due and unpaid upon the Series 2009 Bonds, without preference or priority of principal or purchase price over interest or of interest over principal or purchase price, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, pro rata, according to the amounts due respectively for principal, purchase

price and interest, to the Bondholders entitled thereto without any discrimination or privilege.

Subject to compliance with Section 9.2 herein, whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Bondholders 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 to be applied pursuant to this Section, 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.

Notwithstanding any other provision of this Indenture to the contrary, the Issuer hereby acknowledges and agrees that no amounts that it holds at any time in the Assessment Fund or any amounts transferred to, and applied by, the Trustee in accordance with this Indenture shall be used to pay principal of, interest on or any other amounts due with respect to Additional Obligations so long as an Event of Default has occurred and is continuing under this Indenture.

Section 8.6 Rights and Remedies of Bondholders. Except as provided in the last sentence of this Section, no Bondholder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement hereof or for the execution of any trust thereof or for the appointment of a receiver or any other remedy hereunder, unless an Event of Default has occurred. No one or more Bondholder of the Series 2009 Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the lien hereof by its, his or their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the Bondholders of all Series 2009 Bonds then outstanding. Nothing herein contained shall, however, affect or impair the right of any Bondholder to enforce the covenants of the Issuer to pay the principal and purchase price upon tender of, and premium, if any, and interest on, each of the Series 2009 Bonds issued hereunder held by such Bondholder at the time, place, from the source and in the manner in said Series 2009 Bonds expressed.

Section 8.7 Termination of Proceedings. In case the Trustee or Bondholders shall have proceeded to enforce any right hereunder 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 or Bondholders, then and in every such case the Issuer, the Trustee and the Bondholder shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Trustee and Bondholders shall continue as if no such proceedings had been taken.

Section 8.8 Waivers of Events of Default.

(a) The Bondholders of a majority in aggregate principal amount of the Series 2009 Bonds then Outstanding may in their discretion waive any Event of Default hereunder and its consequences; provided, however, that there shall not be waived (i) any Event of Default in the payment of the principal of any Series 2009 Bonds at the maturity date specified therein, or (ii) any default in the payment when due of the interest on any such Series 2009 Bonds, or (iii) any failure by the Issuer to purchase tendered Series 2009 Bonds as required by Section 2.8, unless prior to such waiver or rescission, all arrears of interest, with interest (to the extent permitted by law) at the Default Rate, if applicable, borne by the Series 2009 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 in connection with such Event of Default and the purchase price upon tender of Series 2009 Bonds shall have been paid or provided for by payment to the Trustee, 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 and the Bondholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default, or impair any right consequent thereon.

(b) The Bondholders of a majority in aggregate principal amount of any particular series of Series 2009 Bonds then Outstanding, after having given written notice to all other Bondholders and having received no written objection within ten (10) Business Days of such notice, may in their discretion waive any Event of Default hereunder and its consequences solely with respect to such applicable series of Series 2009 Bonds.

ARTICLE IX

SUPPLEMENTAL INDENTURES AND ORDINANCES

Section 9.1 Supplemental Indentures and Ordinances Not Requiring Consent of Bondholders. The Issuer may, without the consent of, or notice to, any of the Bondholders, enter into a supplemental indenture hereto, or an ordinance or ordinances supplemental to the Assessment Ordinance as shall not be inconsistent with the terms and provisions hereof, for any one or more of the following purposes:

- (a) To cure any ambiguity or defect or omission herein or in the Assessment Ordinance;
- (b) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or Issuer that may lawfully be granted to or conferred upon the Trustee or the Bondholders or any of them; and
- (c) To subject to this Indenture additional properties, collateral, or security.

Section 9.2 Supplemental Indentures and Ordinances Requiring Consent of Bondholders; Waivers and Consents by Bondholders. Exclusive of supplemental indentures and ordinances covered by Section 9.1 hereof and subject to the terms and provisions contained in this Section, and not otherwise, the Bondholders of at least a majority in aggregate principal amount of the Series 2009 Bonds then Outstanding, shall have the right, from time to time, anything contained herein to the contrary notwithstanding, to (a) consent to and approve the execution by the Issuer of such other supplemental indenture and ordinances supplemental to the Assessment Ordinance as shall be deemed necessary and desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding any of the terms or provisions contained herein or in any supplemental indenture or in the Assessment Ordinance as supplemented, or (b) 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 hereof or of any supplemental indenture hereto or in the Assessment Ordinance as supplemented; provided, however, that nothing in this Section contained shall permit or be construed as permitting (i) an extension of the stated maturity or Mandatory Purchase Date 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 Series 2009 Bond, without the consent of the Bondholder of such Series 2009 Bond, or (ii) a reduction in the amount or extension of the time of any Assessment or any other payment required hereunder or under the Assessment Ordinance to any fund established hereunder without the consent of the Bondholders of all the Series 2009 Bonds which would be affected by the action to be taken, or (iii) a reduction in the aforesaid aggregate principal amount of Series 2009 Bonds, the Bondholders of which are required to consent to any such waiver or supplemental indenture or ordinance, or (iv) affect the rights of the Bondholders of less than all Series 2009 Bonds then Outstanding.

without the consent of the Bondholders of all the Series 2009 Bonds at the time Outstanding which would be affected by the action to be taken. Prior to any supplemental indenture or ordinance becoming effective hereunder, the Trustee shall have on file written consent to such supplemental indentures or ordinances executed by at least a majority in aggregate principal amount of all Series 2009 Bonds then Outstanding, and an opinion of bond counsel to the Issuer to the effect that the adoption of the supplemental indenture or ordinance will not adversely affect the excludability from gross income for federal income tax purposes of the interest payable on the Series 2009 Bonds.

In addition, exclusive of supplemental indentures and ordinances covered by Section 9.1 hereof and the immediately preceding paragraph, the Bondholders of at least a majority in aggregate principal amount of a particular series of the Series 2009 Bonds then Outstanding, shall have the right from time to time, anything contained herein to the contrary notwithstanding, to (a) consent to and approve the execution by the Issuer of such other supplemental indenture as shall be deemed necessary and desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding any of the terms contained herein or in a supplemental indenture or (b) 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 hereof or of any supplemental indenture; provided that (i) such action under the immediately preceding clause (a) or (b) relates solely to the terms, conditions and provisions of such series of the Series 2009 Bonds, (ii) such action under the immediately preceding clause (a) or (b) does not adversely affect the priority, security, payment or terms of any other series of the Series 2009 Bonds then Outstanding; (iii) the Bondholders pursuing action under the immediately preceding clause (a) or (b) provide at least twenty (20) days' prior written notice to each other Bondholder of such proposed action; (iv) each other Bondholder is permitted to participate in such action on the same terms and condition as the Bondholders proposing such action; and (v) the Issuer shall have received an opinion of bond counsel that such action will not adversely affect the excludability from gross income from federal income tax purposes of the interest payable on the Series 2009 Bonds. Prior to any supplemental indenture becoming effective, however, the Trustee shall have on file written consent to such supplemental indenture executed by at least a majority in aggregate principal amount of the applicable series of the Series 2009 Bonds then Outstanding.

ARTICLE X

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 Bondholders of the Series 2009 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 Paying Agent all sums of moneys due or to become due according to the provisions hereof, then these presents and the estate and rights hereby granted shall cease, terminate and be void, whereupon the Trustee at the request of the Issuer shall cancel and discharge the lien hereof, except moneys or Series 2009 Bonds held by the Trustee for the payment of the principal of and interest on the Series 2009 Bonds.

Any Series 2009 Bond shall be deemed to be paid within the meaning of this Article when payment of the principal of such Series 2009 Bond, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption as provided herein, 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 the Trustee for the benefit of the Bondholders, in trust and irrevocably setting aside exclusively for such payment (i) moneys sufficient to make such payment or (ii) Government Obligations, maturing as to principal and interest in such amount and at such times (without further investment) as will insure the availability of sufficient moneys to make such payment, and all necessary and proper fees, compensation and expenses of the Trustee pertaining to the Series 2009 Bond with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Bondholders so paid as evidenced by a written consent of such Bondholder filed with the Trustee. The sufficiency of the Government Obligations to pay principal and interest on the Series 2009 Bonds when due at maturity or upon redemption and the determination that the yield on said Government Obligations does not exceed the yield on the Series 2009 Bonds shall be verified by a written report of a firm of independent public accountants delivered to the Trustee. At such times as a Series 2009 Bond shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefits hereof, except for the purposes of any such payment from such moneys or Government Obligations.

Notwithstanding the foregoing, in the case of Series 2009 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 Series 2009 Bonds as aforesaid until the Issuer shall have:

(a) instructed the Paying Agent to call for redemption pursuant hereto any Series 2009 Bonds to be redeemed prior to maturity; and

(b) instructed the Trustee to mail, as soon as practicable, in the manner prescribed by Article II hereof, a notice to the Bondholders of such Series 2009 Bonds which have been selected by the Trustee by lot that the deposit required by

this Section has been made with the Trustee and that such Series 2009 Bonds are deemed to have been paid in accordance with this Article 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 Series 2009 Bonds.

Any moneys so deposited with the Trustee as provided in this Article may at the direction of the Issuer also be invested and reinvested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Government Obligations in the hands of the Trustee pursuant to this Article which is not required for the payment of the Series 2009 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 firm of independent certified public accountants that the moneys remaining on deposit with the Trustee and invested in Government Obligations after such transfer to the Bond Fund shall be sufficient in amount to pay principal and interest on the Series 2009 Bonds when due and payable.

Notwithstanding any provision of any other Article hereof which may be contrary to the provisions of this Article, all moneys or Government Obligations set aside and held in trust pursuant to the provisions of this Article for the payment of Series 2009 Bonds (including interest thereon) shall be applied to and used solely for the payment of the particular Series 2009 Bonds (including interest thereon) with respect to which such moneys or Government Obligations have been so set aside in trust.

Anything herein to the contrary notwithstanding, if moneys or Government Obligations have been deposited or set aside with the Trustee pursuant to this Article for the payment of Series 2009 Bonds and such Series 2009 Bonds shall not have in fact been actually paid in full, no amendment to the provisions of this Article shall be made without the consent of the Bondholder of each Bond affected thereby.

ARTICLE XI

FORM OF SERIES 2009 BONDS

Each fully registered Series 2009 Bond shall be, respectively, in substantially the following form, with such insertions or variations as to any redemption or amortization provisions and such other insertions or omissions, endorsements and variations as may be required:

[THIS BOND MAY NOT BE SOLD OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE WITH SECTION 3.2(a) OF THE INDENTURE HEREIN DESCRIBED]

Unless this certificate is presented by an authorized representative of The Depository Trust Company (55 Water Street, New York, New York) to the Issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the Registered Owner hereof, Cede & Co., has an interest herein.

[FORM OF SERIES 2009 BOND]

Registered

Registered

UNITED STATES OF AMERICA
STATE OF UTAH
JORDANELLE SPECIAL SERVICE DISTRICT, WASATCH COUNTY, UTAH
SPECIAL ASSESSMENT BONDS SERIES 2009[A, B, or C]
(IMPROVEMENT DISTRICT 2005-2)

Number R -

\$ _____

Interest Rate

Maturity Date

Original Issue Date

12%

August 1, 2030

Registered Owner: _____

Principal Amount: _____ AND NO/100 DOLLARS

Jordanelle Special Service District, Wasatch County, Utah (the "Issuer"), a body politic and corporate and a quasi-municipal public corporation duly organized and existing under the Constitution and laws of the State of Utah, acknowledges itself indebted and for value received hereby promises to pay to the Registered Owner named above, or registered assigns, on the Maturity Date identified above, upon presentation and surrender hereof, the Principal Amount identified above, and to pay the Registered Owner hereof interest on the balance of said Principal Amount from time to time remaining unpaid at the Interest Rate per annum (calculated on the basis of a year of 360 days and twelve 30-day months) identified above, payable semiannually on each February 1 and August 1, beginning on August 1, 2010, until payment in full of said Principal Amount, except as the provisions set forth in the hereinafter mentioned Indenture with respect to redemption prior to maturity may become applicable hereto. Interest on this Bond shall accrue from the Interest Payment Date next preceding the date

on which it is authenticated, unless (a) it is authenticated before the first Interest Payment Date following the Original Issue Date identified above, in which case interest shall accrue from the Original Issue Date, or (b) if this Bond is authenticated on an Interest Payment Date, in which case interest shall accrue from such Interest Payment Date; provided that if at the time of authentication of this Bond, interest is in default, interest shall accrue from the date to which interest has been paid in full. This Bond shall bear interest on overdue principal and/or interest at the rate of twenty percent (20%) per annum (the "Default Rate"). In addition, if the Issuer fails to purchase this Bond when tendered as provided herein, this Bond shall bear interest at the Default Rate beginning from the tender date until paid in full. Principal of and premium, if any, on this Series 2009 Bond shall be payable upon surrender of this Series 2009 Bond at the principal corporate trust office of Zions First National Bank, Salt Lake City, Utah, as Paying Agent or by notation on the Record of Principal Payments attached hereto as Exhibit A; and payment of the interest hereon shall be made to the Registered Owner hereof and shall be paid by wire in immediately available funds to the person who is the Registered Owner of record as of the Bond Registrar's close of business on the fifteenth day immediately preceding each Interest Payment Date at the address of such Registered Owner as it appears on the registration books kept by the hereinafter defined Bond Registrar, or at such other address as is furnished in writing by such Registered Owner to the Bond Registrar as provided in the hereinafter defined Indenture. Principal of and interest on this Series 2009 Bond shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

This Series 2009 Bond is one of the Assessment Bonds Series 2009[A, B, or C] of the Issuer (the "Series 2009[A, B, or C] Bonds") limited to the aggregate principal amount of \$_____ issued under and by virtue of the Assessment Area Act, Title 11, Chapter 42, Utah Code Annotated 1953, as amended (the "Act"), and under and pursuant to an Indenture of Trust and Pledge dated as of August 1, 2009, by and between the Issuer and the Trustee (the "Indenture"), for the purpose of (a) refunding and retiring the Issuer's outstanding Series 2009A Notes, Series 2009B Notes, and Series 2009C Notes (collectively, the "Series 2009 Notes"), (b) funding the Debt Service Reserve Fund, and (c) paying issuance expenses incurred in connection with the issuance of the Series 2009 Bonds and the Series 2009 Notes.

The Series 2009[A, B, or C] Bonds are issuable solely in the form of registered bonds without coupons in the denomination of \$100,000 and integral multiples of \$1 in excess thereof.

The Series 2009[A, B, or C] Bonds are not subject to redemption at the option of the Issuer, prior to August 18, 2014. On and after August 18, 2014, the Series 2009[A, B, or C] Bonds shall be subject to redemption at the option of the Issuer, in whole or in part, on any Business Day at a redemption price equal to one hundred percent (100%) of the principal amount of each Bond to be redeemed plus accrued interest to the date of redemption.

The Series 2009 Bonds are subject to extraordinary mandatory redemption, in whole or in part, on any Business Day that the Issuer selects by notice to the Trustee and is not more than forty-five (45) days after the Issuer's receipt of Assessments collected from the foreclosure sale of delinquent property at a redemption price equal to one hundred percent (100%) of the principal amount of each Bond to be redeemed plus accrued interest to the date of redemption in the amount of Assessments (rounded to the nearest \$1.00 increment) as the Issuer collects from the foreclosure sale of delinquent property. The particular Series 2009 Bonds or portion thereof to be redeemed shall be selected prior to the redemption date by the Bond Registrar on a pro rata basis first from the Delinquent Portion of the Outstanding Series 2009 Bonds, and second from all remaining Series 2009 Bonds (based upon the respective aggregate principal amount of each series then Outstanding as a percentage of the total aggregate principal amount of Bonds then Outstanding) from each series of Series 2009 Bonds.

The Series 2009 Bonds are subject to mandatory prepayment redemption, in whole or in part, on any Interest Payment Date prior to August 18, 2014, from prepayments of Assessments (rounded down to the nearest \$1.00 increment) at a redemption price equal to one hundred six percent (106%) of the principal amount of Bonds to be redeemed, plus accrued interest to the date of redemption. The particular Series 2009 Bonds or portion thereof to be redeemed shall be selected prior to the redemption date by the Bond Registrar on a pro rata basis (based upon the respective aggregate principal amount of each series then Outstanding as a percentage of the total aggregate principal amount of Bond then Outstanding) from each series of Series 2009 Bonds.

The Series 2009[A, B or C] Bonds are subject to mandatory sinking fund redemption at a redemption price equal to one hundred percent (100%) of the principal amount of Series 2009[A, B or C] Bonds to be redeemed plus accrued interest to the redemption date, as follows:

| | |
|---|--|
| Mandatory Sinking Fund Redemption Date <u>(August 1)</u> | Mandatory Sinking Fund <u>Installment</u> |
|---|--|

* Final maturity

Upon redemption of any Series 2009 Bonds (other than by application of mandatory sinking fund redemption), an amount equal to the principal amount so redeemed shall be credited pro rata (based upon the respective aggregate principal amount of each series then Outstanding as a percentage of the total aggregate principal amount of Bonds then Outstanding) and to the extent possible in increments of not less

than \$1.00, toward all remaining mandatory sinking fund redemption amounts for all series of the Series 2009 Bonds on a pro rata basis.

If fewer than all of the Series 2009 Bonds are to be redeemed (other than by application of mandatory sinking fund redemption), the particular Series 2009 Bonds or portion thereof to be redeemed shall be selected prior to the redemption date by the Bond Registrar on a pro rata basis (based upon the respective aggregate principal amount of each series then Outstanding as a percentage of the total aggregate principal amount of Bonds then Outstanding) from each series of Series 2009 Bonds (rounded down to the nearest \$1.00 increment).

To the extent that a mandatory sinking fund redemption results in the reduction in aggregate principal amount of any of the Series 2009 Bonds Outstanding, a Bondholder in its discretion: (a) may request the Trustee to issue and authenticate a new Series 2009 Bond certificate, or (b) shall make an appropriate notation on the Record Principal Payments attached hereto as Exhibit A indicating the date and amounts of such redemption in principal, except in the case of final maturity, in which case the Series 2009 Bond must be presented to the Trustee prior to payment. Should the Bondholder elect not to submit the Series 2009 Bonds for redemption, the Trustee's records shall govern in the case of discrepancy with the Record of Principal Payments, absent manifest error.

Notice of redemption shall be given by the Bond Registrar by registered or certified mail, not less than thirty (30) nor more than forty-five (45) days prior to the redemption date, to the Bondholder, as of the Record Date, of each Series 2009[A, B, or C] Bond which is subject to redemption, at the address of such Bondholder as it appears on the registration books of the Issuer kept by the Bond Registrar, or at such other address as is furnished to the Bond Registrar in writing by such Bondholder on or prior to the Record Date. Each notice of redemption shall state the Record Date, the redemption date, the place of redemption, the principal amount, the series designation, and, if less than all, portions of Series 2009[A, B, or C] Bonds to be redeemed, and shall also state that the interest on the Series 2009[A, B, or C] Bonds in such notice designated for redemption shall cease to accrue from and after such redemption date upon payment of such redemption price, and that on said date there will become due and payable on each of said Series 2009[A, B, or C] Bonds the principal of, interest accrued thereon to the redemption date, and premium, if any. Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Bondholder receives such notice. Failure to give such notice or any defect therein with respect to any Series 2009[A, B, or C] Bond shall not affect the validity of the proceedings for redemption with respect to any other Series 2009[A, B, or C] Bond.

If notice of redemption shall have been given as aforesaid, the Series 2009 Bonds or portions thereof specified in said notice shall become due and payable at the applicable redemption price on the redemption date therein designated, and if, on the redemption date, moneys for the payment of the redemption price of all the Series 2009[A, B, or C] Bonds to be redeemed, together with interest to the redemption date, shall be available for

such payment on said date, then from and after the redemption date interest on such Series 2009[A, B, or C] Bonds shall cease to accrue and become payable.

The Series 2009[A, B, or C] Bonds, in whole or in part, are also subject to tender for purchase at the option of the owner thereof on and after May 18, 2014 and mandatory purchase by the Issuer on a Mandatory Purchase Date on and after August 18, 2014, as provided in the Indenture.

Less than all of the Series 2009[A, B, or C] Bonds in a denomination in excess of \$100,000 may be so redeemed, and in such case, upon the surrender of such Series 2009[A, B, or C] Bond, there shall be issued to the Registered Owner thereof, without charge therefor, for the unredeemed balance of the principal amount of such Series 2009[A, B, or C] Bond, at the option of such owner, registered Series 2009[A, B, or C] Bonds of any of the authorized denominations, all as more fully set forth in the Indenture.

Zions First National Bank is the initial trustee, bond registrar, and paying agent with respect to the Series 2009[A, B, or C] Bonds. Said trustee, bond registrar and paying agent, together with any successor trustee, bond registrar or paying agent, respectively, is referred to herein as the "Trustee," the "Bond Registrar," and the "Paying Agent."

Payment of this Bond and the interest thereon shall be made from, and as security for such payment there is pledged a first lien on the moneys on deposit in, the Bond Fund of Jordanelle Special Service District, Utah Improvement District 2005-2 (the "District"), containing the receipts derived by the Issuer from the assessments levied upon the property included in the District by the Assessment Ordinance adopted by the Issuer on July 8, 2009 (the "Assessment Ordinance").

It is hereby certified that a Debt Service Reserve Fund has been created and the Issuer agrees that at all times during the life of this Series 2009[A, B, or C] Bond and until payment thereof in full, said Fund shall be maintained as described in the Indenture. This Bond is not a general obligation of the Issuer, but is payable exclusively out of the funds described in the Indenture. The Issuer shall not be liable for the payment of the Series 2009[A, B, or C] Bond, except to the extent of the funds created and received from (a) proceeds from the sale of any bonds issued to refund and retire the Series 2009[A, B, or C] Bond, (b) the Assessments including Assessments collected through foreclosure sales resulting from unpaid Assessments, and (c) moneys on deposit in the Debt Service Reserve Fund, but the Issuer shall be held responsible for the lawful levy of all Assessments, for the creation and maintenance and replenishment of the Debt Service Reserve Fund as provided herein, and for the faithful accounting, collection, settlement, and payment of the Assessments. The Issuer may apply at its sole discretion any other legally available funds or revenues to the payment of the principal and interest on the Series 2009[A, B, or C] Bond.

The Assessments made and levied pursuant to the Assessment Ordinance, with accruing interest thereon, and the cost of collection of the Assessments constitute a lien upon and against the property upon which such Assessments were made and levied from

and after the date upon which the Assessment Ordinance, which lien is superior to the lien of any trust deed, mortgage, mechanic's or materialman's lien, or other encumbrance. Said lien is equal to and on a parity with the lien for general property taxes and shall continue until the assessments and interest thereon are paid, notwithstanding any sale of the property for or on account of a delinquent general property tax, special tax, other assessment, or the issuance of a tax deed, an assignment of interest by the Issuer, or a sheriff's certificate of sale or deed.

This Bond is transferable, as provided in the Indenture, only upon the books of the Issuer kept for that purpose at the principal corporate trust office of the Bond Registrar, by the Registered Owner hereof in person or by his attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Bond Registrar, duly executed by the Registered Owner or such duly authorized attorney, and thereupon the Issuer shall issue in the name of the transferee a new registered Bond or Bonds of authorized denominations of the same aggregate principal amount, series, designation, maturity and interest rate as the surrendered Bond, all as provided in the Indenture and upon the payment of the charges therein prescribed. No transfer of this Bond shall be effective until entered on the registration books kept by the Bond Registrar. The Issuer, the Trustee, the Bond Registrar and the Paying Agent may treat and consider the person in whose name this Bond is registered on the registration books kept by the Bond Registrar as the holder and absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or redemption price hereof and interest due hereon and for all other purposes whatsoever, and neither the Issuer, nor the Bond Registrar nor the Paying Agent shall be affected by any notice to the contrary.

Except as otherwise provided herein and unless the context clearly indicates otherwise, words and phrases used herein shall have the same meanings as such words and phrases in the Indenture.

This Bond and the issue of which it is a part are issued in conformity with and after full compliance with the Constitution of the State of Utah and pursuant to the provisions of the Act and all other laws applicable thereto. It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State of Utah and by the Act and the Indenture to exist, to have happened or to have been performed precedent to or in connection with the issuance of this Bond exist, have happened and have been performed and that the issue of Series 2009 Bonds, together with all other indebtedness of the Issuer, is within every debt and other limit prescribed by said Constitution and statutes, and that the aggregate amount of Series 2009[A, B, or C] Bonds of the Issuer for the District, including this Bond, does not exceed the amount authorized by law nor the special assessment levied to cover the cost of the Improvements in the District, and that all said special Assessments have been lawfully levied.

This Bond shall not be valid until the Certificate of Authentication hereon shall have been manually signed by the Bond Registrar.

IN WITNESS WHEREOF, THE ISSUER has caused this Bond to be signed in its name and on its behalf by the Chair, and attested by the Secretary (the signatures of said Chair and Secretary being by facsimile signature), acting as the officers of the Issuer, and has caused the facsimile of its corporate seal to be printed hereon, and said officials by the execution hereof to adopt as and for their own proper signatures their facsimile signatures appearing on each of the Series 2009[A, B, or C] Bonds.

(SEAL)

By: _____ (Do Not Sign)
Chair

ATTEST:

By: _____ (Do Not Sign)
Secretary

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Series 2009[A, B, or C] Bonds of Jordanelle Special Service District, Wasatch County, Utah, Assessment Bonds (Improvement District 2005-2), Series 2009[A, B, or C] described in the within mentioned Indenture.

ZIONS FIRST NATIONAL BANK, as
Bond Registrar

By: _____
Authorized Officer

Date of authentication: _____

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM - as tenants in common
TEN ENT - as tenants by the entireties
JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT _____
(Cust.)

Custodian for _____
(Minor)

under Uniform Gifts to Minors Act of _____
(State)

Additional abbreviations may also be used though not in the above list.

ASSIGNMENT

FOR VALUE RECEIVED, _____, the undersigned sells, assigns, and transfers unto:

(Social Security or Other Identifying Number of Assignee)

(Please Print or Typewrite Name and Address of Assignee)

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney for registration thereof, with full power of substitution in the premises.

DATED: _____

Signature: _____

NOTICE: The signature to this assignment must correspond with the name of the Registered Owner as it appears upon the face of the within Bond in every particular without alteration or enlargement or any change whatever.

Signature Guaranteed:

NOTICE: The signature(s) should be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations, and credit unions with membership in an approved signature guarantee medallion program), pursuant to S.E.C. Rule 17Ad-15.

ARTICLE XII

MISCELLANEOUS

Section 12.1 Consents, Etc., of Registered Owners. Any consent, request, direction, approval, objection or other instrument required hereby to be executed by the Registered Owners may be in any number of concurrent writings of similar tenor and may be executed by such Registered Owners in person or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent and of the ownership of Series 2009 Bonds, if made in the following manner, shall be sufficient for any of the purposes hereof, and shall be conclusive in favor of the Trustee with regard to any action taken under such request or other instrument, namely, the fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by affidavit of any witness to such execution.

Section 12.2 Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Series 2009 Bonds is intended or shall be construed to give to any person other than the parties hereto, the Registered Owners of the Series 2009 Bonds, any legal or equitable right, remedy, or claim under or in respect hereto or any covenants, conditions, and provisions herein contained, this Indenture and all of the covenants, conditions, and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto, the Registered Owners of the Series 2009 Bonds as herein provided.

Section 12.3 Continuing Disclosure Obligations. The Issuer shall provide to the Bondholders the following continuing disclosure information:

(a) Within 45 days after the last day of each March, June, September, and December

(i) General information regarding the Series 2009 Bonds, including the date of issue and the total principal amount of Series 2009 Bonds outstanding at the end of such calendar quarter.

(ii) Fund balances at quarter end of all funds established by the Trustee herein.

(iii) The most recent taxable value as determined by the Wasatch County Assessor of all properties on which there is an outstanding Assessment.

(iv) Assessment collection information at quarter end, including total outstanding Assessments, total delinquent Assessments, total

delinquent Assessments for which foreclosure proceedings have been initiated.

(v) The occurrence of any material event which may have an adverse impact on the ability of the Issuer to levy and collect Assessments, or otherwise affects the credit worthiness of the Series 2009 Bonds.

(vi) A list of all current property owners of property on which there is an outstanding Assessment.

(b) Within 180 days after the end of each calendar year, the audited financial statements of the Issuer.

Section 12.4 Updated Appraisals. Upon the written request of the Registered Owners of not less than a majority of the then Outstanding Series 2009 Bonds, the Issuer shall obtain and provide to all Registered Owners of the Series 2009 Bonds an appraisal of each property on which there is an outstanding Assessment, provided, however, that the Registered Owner may not request an updated appraisal more often than once each calendar year.

Section 12.5 Severability. If any provision hereof shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses or Sections herein contained, shall not affect the remaining portions hereof, or any part thereof.

Section 12.6 Notices. It shall be sufficient service of any notice, Optional Tender Notice, request, complaint, demand, or other paper on the Issuer or Bondholders and the Trustee if the same shall be duly mailed by registered or certified mail addressed to it at the following addresses or to such address as the parties may from time to time file with the Trustee:

If to the Issuer: Jordanelle Special Service District
10420 North Jordanelle Boulevard
Heber City, Utah 84032
Attention: Chair

If to the Bondholders: Wells Fargo & Co.
550 California Street, 14th Floor
MAC A0112-144
San Francisco, California 94104

USAA Tax-Exempt Intermediate Term
Fund (Fund 6206)
USAA Investment Management Company
9800 Fredericksburg Road A-3-E
San Antonio, Texas 78288

Koch Financial Corporation
Attn: Operations,
17550 North Perimeter Drive, Ste 300
Scottsdale, Arizona 85255

If to the Trustee: Zions First National Bank
Corporate Trust Department
One South Main Street, Suite 1200
Salt Lake City, Utah 84111

Section 12.7 Trustee as Paying Agent and Registrar. Trustee is hereby designated and agrees to act as principal Paying Agent and Bond Registrar for and in respect to the Series 2009 Bonds.

Section 12.8 Counterparts. This Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 12.9 Applicable Law. This Indenture shall be governed exclusively by the applicable laws of the State.

Section 12.10 Immunity of Officers and Directors. No recourse shall be had for the payment of the principal of or premium or interest on any of the Series 2009 Bonds or for any claim based thereon or upon any obligation, covenant or agreement herein contained against any past, present or future officer, or other public official, employee, or agent of the Issuer.

Section 12.11 Holidays. If any date for the payment of principal of or interest on the Series 2009 Bonds is not a Business Day, then such payment shall be due on the first Business Day thereafter and no interest shall accrue for the period between such Business Day and such first Business Day thereafter.

Section 12.12 Effective Date. This Indenture shall become effective immediately.

Section 12.13 Compliance with Act. It is hereby declared that it is the intention of the Issuer by the execution of this Indenture to comply in all respects with the provisions of the Act.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be executed as of the date first written above.

JORDANELLE SPECIAL SERVICE
DISTRICT, UTAH, as Issuer

(SEAL)



By: Kipp Dangulter
Chair

ATTEST:

By: Janet Carson
Secretary

ZIONS FIRST NATIONAL BANK, as
Trustee

By: [Signature]
Title: TRUST OFFICER

EXHIBIT A

COSTS OF ISSUANCE DISBURSEMENT REPORT

(See Transcript Document No. 21)

EXHIBIT B

REPRESENTATION LETTER

[Faint, illegible text, likely bleed-through from the reverse side of the page]



Blanket Issuer Letter of Representations
(To be Completed by Issuer)

Jordanella Special Service District
(Name of Issuer)

July 20, 2000
(Date)

Attention: Underwriting Department — Eligibility
The Depository Trust Company
55 Water Street, 50th Floor
New York, NY 10041-0099

Ladies and Gentlemen:

This letter sets forth our understanding with respect to all issues (the "Securities") that Issuer shall request be made eligible for deposit by The Depository Trust Company ("DTC").

To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with DTC's Rules with respect to the Securities, Issuer represents to DTC that Issuer will comply with the requirements stated in DTC's Operational Arrangements, as they may be amended from time to time.

Note:

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Very truly yours,

Jordanella Special Service District
(Issuer)

By: [Signature]
(Authorized Officer's Signature)

Dan Matthews, District Manager
(Type/print Name & Title)

10420 North Jordanella Blvd. Ste. A
(Street Address)

Heber City UT 84032
(City) (State) (Zip)

(435) 940-9515
(Phone Number)

Received and Accepted:

THE DEPOSITORY TRUST COMPANY

By: [Signature]

EXHIBIT C

FORM OF OPTIONAL TENDER NOTICE

Jordanelle Special Service District
10420 North Jordanelle Boulevard
Heber City, Utah 84032

Attention: Manager

Pursuant to Section 2.8 of the Indenture of Trust and Pledge, dated as of August 1, 2009 (the "Indenture") by and between Jordanelle Special Service District, Utah (the "Issuer") and Zions First National Bank, and trustee (the "Trustee"), the undersigned, on behalf of _____, the Bondholder of the Jordanelle Special Service District, Wasatch County, Utah Special Assessment Bonds, Series 2009 [A, B or C] (Improvement District 2005-2) in the total principal amount of \$_____, (the Series 2009 [A, B, or C] Bonds) hereby gives notice that it shall tender to the Issuer \$_____ in principal amount of the Series 2009 [A, B, or C] Bonds at 10:00 a.m. (Mountain Time) on _____ (the "Mandatory Purchase Date"), for purchase at par, plus accrued interest thereon.

The purchase of the Series 2009 [A, B, or C] Bonds will be consummated as provided in Section 2.8 of the Indenture at the building location:

The Issuer's failure to purchase all of the above described Series 2009 [A, B or C] Bonds on the Mandatory Purchase Date shall constitute an Event of Default, and the non-purchased, but tendered Series 2009 [A, B or C] Bonds shall accrue interest at the Default Rate as provided in the Indenture, from such Mandatory Purchase Date until paid in full.

This Optional Tender Notice is irrevocable.

By: _____

Its: _____

cc: Zions First National Bank
Corporate Trust Department
One South Main Street, Suite 1200
Salt Lake City, Utah 84111

Attention: Corporate Trust Officer

EXHIBIT C

PRIVATE PLACEMENT MEMORANDUM DATED AUGUST 17, 2009

NEW ISSUE – Issued in Book-Entry Only

Nonrated

In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Bond Counsel to the District, interest on the Series 2009 Bonds is excludable from gross income for purposes of the federal income tax, assuming continuing compliance with the requirements of the federal tax laws. Interest on the Series 2009 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 2009 Bonds is exempt from State of Utah individual income taxes. See “TAX MATTERS” herein.

**JORDANELLE SPECIAL SERVICE DISTRICT
WASATCH COUNTY, UTAH, SPECIAL ASSESSMENT BONDS**

\$19,626,000 12.0% (SPECIAL IMPROVEMENT DISTRICT NO. 2005-2), SERIES 2009A

\$10,611,000 12.0% (SPECIAL IMPROVEMENT DISTRICT NO. 2005-2), SERIES 2009B

\$10,613,000 12.0% (SPECIAL IMPROVEMENT DISTRICT NO. 2005-2), SERIES 2009C

Dated Date: Date of Initial Delivery

Due: August 1, 2030

The \$19,626,000 Jordanelle Special Service District, Wasatch County, Utah Special Assessment Bonds (Special Improvement District No. 2005-2), Series 2009A (the “Series 2009A Bonds”); \$10,611,000 Jordanelle Special Service District, Wasatch County, Utah Special Assessment Bonds (Special Improvement District No. 2005-2), Series 2009B (the “Series 2009B Bonds”); and \$10,613,000 Jordanelle Special Service District, Wasatch County, Utah Special Assessment Bonds (Special Improvement District No. 2005-2), Series 2009C (the “Series 2009C Bonds” and together with the Series 2009A Bonds and the Series 2009B Bonds, the “Series 2009 Bonds”) will be issued by the District only as fully-registered bonds and when initially issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Series 2009 Bonds. Purchases of Series 2009 Bonds will be made in book-entry form only, in the denomination of \$100,000 and \$1 increments in excess thereof, through brokers and dealers who are, or who act through, DTC participants. Owners of the Series 2009 Bonds will not be entitled to receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Series 2009 Bonds. Interest on the Series 2009 Bonds is payable on August 1 and February 1 of each year, commencing August 1, 2010, through Zions First National Bank, as Paying Agent, all as more fully described herein. So long as DTC or its nominee is the registered owner of the Series 2009 Bonds, payments of the principal of, premium, if any, and interest on such Series 2009 Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See “APPENDIX F—PROVISIONS REGARDING BOOK-ENTRY SYSTEM” herein. The Series 2009 Bonds may only be sold to qualified investors, each of which have the necessary knowledge and experience to invest in obligations similar to the Series 2009 Bonds.

The Series 2009 Bonds are subject to optional, extraordinary mandatory, mandatory prepayment and mandatory sinking fund redemption prior to maturity as described herein. See “THE SERIES 2009 BONDS—Redemption Provisions” herein.

Proceeds from the sale of the Series 2009 Bonds will be used (i) to retire the District’s outstanding Replacement Bond Anticipation Notes (Special Improvement District 2005-2), Series 2009A, Series 2009B and Series 2009C; (ii) to fund a deposit to a debt service reserve fund; and (iii) to pay certain costs of issuing the Series 2009 Bonds and the Series 2009 Notes. See “ESTIMATED SOURCES AND USES OF FUNDS.”

The Series 2009 Bonds shall be special limited obligations of the District and shall be payable from (i) cash received by the District from the payment of Improvements, and (ii) the levy of assessments against the properties benefited by the Improvements. The District may also at its option apply any other legally available funds or revenues to the payment of the principal of or interest on the Series 2009 Bonds. See “SECURITY FOR THE SERIES 2009 BONDS.” The Series 2009 Bonds are not general obligations of the District, Wasatch County, Utah, the State of Utah, or any other political subdivision, and neither the full faith and credit nor the taxing power of the District, Wasatch County, Utah, or the State of Utah is pledged to the payment of the Series 2009 Bonds.

PURCHASE OF THE SERIES 2009 BONDS INVOLVES SIGNIFICANT RISKS AND THE SERIES 2009 BONDS ARE NOT SUITABLE INVESTMENTS FOR ALL INVESTORS. SEE “BONDHOLDERS’ RISKS” HEREIN.

This cover page contains general information for quick reference only. It is not intended as a summary of this transaction. Investors are advised to read the entire Private Placement Memorandum, paying particular attention to those matters appearing under “BONDHOLDERS’ RISKS,” to obtain information essential to making an informed investment decision. Capitalized terms used on this cover page and not otherwise defined shall have the meanings given to such terms in the body of this Private Placement Memorandum.

The issuance of the Series 2009 Bonds is subject to the delivery of an approving legal opinion of Ballard Spahr Andrews & Ingersoll, LLP, Bond Counsel to the District, and certain other conditions. The approval of certain legal matters for the District will be passed on by its counsel, Dan Matthews, Esq., Heber City, Utah. Zions Bank Public Finance has acted as financial advisor to the District in connection with the issuance of the Series 2009 Bonds. It is expected that the Series 2009 Bonds will be available for delivery through the facilities of DTC on or about August 19, 2009. This Private Placement Memorandum is dated August 17, 2009 and the information contained herein speaks only as of that date.

This Private Placement Memorandum does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of, the Series 2009 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 the District or any other entity. All other information contained herein has been obtained from the District 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 Private Placement Memorandum nor the issuance, sale, delivery or exchange of the Series 2009 Bonds, shall under any circumstances create any implication that there has been no change in the security for the Series 2009 Bonds since the date hereof.

The Series 2009 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions contained in such act. Any registration or qualification of the Series 2009 Bonds in accordance with applicable provisions of the securities laws of the states in which the Series 2009 Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof.

EACH INVESTOR IS RESPONSIBLE FOR ASSESSING THE MERITS AND RISKS OF AN INVESTMENT IN THE SERIES 2009 BONDS AND MUST BE ABLE TO BEAR THE ECONOMIC RISK OF SUCH INVESTMENT IN THE SERIES 2009 BONDS. IN MAKING ANY INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE DISTRICT, THE ASSESSED PROPERTY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SERIES 2009 BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS PRIVATE PLACEMENT MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS PRIVATE PLACEMENT MEMORANDUM

Certain statements included or incorporated by reference in this Private Placement Memorandum constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “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. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

**JORDANELLE SPECIAL SERVICE DISTRICT
WASATCH COUNTY, UTAH, SPECIAL ASSESSMENT BONDS**

\$19,626,000 (SPECIAL IMPROVEMENT DISTRICT NO. 2005-2), SERIES 2009A

\$10,611,000 (SPECIAL IMPROVEMENT DISTRICT NO. 2005-2), SERIES 2009B

\$10,613,000 (SPECIAL IMPROVEMENT DISTRICT NO. 2005-2), SERIES 2009C

10420 North Jordanelle Boulevard, Suite A
Heber City, Utah 84032
(435) 940-9515 – Telephone (435) 333-0514 – Facsimile

GOVERNING AUTHORITY OF THE DISTRICT/COUNTY COUNCIL OF WASATCH COUNTY, UTAH

Kipp Bangerter Chair
Mike Kohler..... Vice Chair/Boardmember
Kendall Crittenden..... Boardmember
Steve Farrell..... Boardmember
Jay Price..... Boardmember
Neil Anderton Boardmember
Val Draper Boardmember

DISTRICT ADMINISTRATION

Dan Matthews..... District Manager and Counsel
Janet Carson.....Secretary/Treasurer

TRUSTEE, PAYING AGENT & REGISTRAR

Zions First National Bank
One South Main Street, 12th Floor
Salt Lake City, Utah 84133
(801) 524-4803 – Telephone
(801) 524-4838 – Facsimile

FINANCIAL ADVISOR TO THE DISTRICT

Zions Bank Public Finance
One South Main Street, 18th Floor
Salt Lake City, Utah 84133
(801) 844-7375 – Telephone
(801) 844-4484 – Facsimile

BOND COUNSEL

Ballard Spahr Andrews & Ingersoll, LLP
201 South Main Street, Suite 800
Salt Lake City, Utah 84111
(801) 531-3000 – Telephone
(801) 531-3001 – Facsimile

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PRIVATE PLACEMENT MEMORANDUM

RELATING TO

**JORDANELLE SPECIAL SERVICE DISTRICT
WASATCH COUNTY, UTAH, SPECIAL ASSESSMENT BONDS**

\$19,626,000 (SPECIAL IMPROVEMENT DISTRICT NO. 2005-2), SERIES 2009A

\$10,611,000 (SPECIAL IMPROVEMENT DISTRICT NO. 2005-2), SERIES 2009B

\$10,613,000 (SPECIAL IMPROVEMENT DISTRICT NO. 2005-2), SERIES 2009C

INTRODUCTION

This Private Placement Memorandum, including the cover page and Appendices, is furnished by the Jordanelle Special Service District, Wasatch County, Utah (the "District"), a separate body politic and corporate and a quasi-municipal public corporation of the State of Utah (the "State"), in connection with the issuance of its \$19,626,000 Special Assessment Bonds (Special Improvement District No. 2005-2), Series 2009A (the "Series 2009A Bonds"); \$10,611,000 Special Assessment Bonds (Special Improvement District No. 2005-2), Series 2009B (the "Series 2009B Bonds"); and \$10,613,000 Special Assessment Bonds (Special Improvement District No. 2005-2), Series 2009C (the "Series 2009C Bonds" and together with the Series 2009A Bonds and the Series 2009B Bonds, the "Series 2009 Bonds"). The Series 2009 Bonds are issued pursuant to (i) a resolution adopted by the County Council of Wasatch County, Utah, as the governing authority of the District (the "County Council") on August 12, 2009 (the "Resolution"); (ii) an Indenture of Trust and Pledge dated as of August 1, 2009 (the "Indenture") by and between the District and Zions First National Bank, N.A, as trustee (the "Trustee"); and (iii) the County Improvement District Act, Title 17A, Chapter 3, Part 2, Utah Code Annotated 1953, as amended and restated by the Assessment Area Act, Title 11, Chapter 42, Utah Code Annotated 1953, as amended (the "Act"). The proceeds from the sale of the Series 2009 Bonds will be used to (a) retire its outstanding Replacement Bond Anticipation Notes (Special Improvement District 2005-2), Series 2009A, currently outstanding in the aggregate principal amount of \$19,314,089 (the "Series 2009A Notes"), its outstanding Replacement Bond Anticipation Notes (Special Improvement District 2005-2), Series 2009B, currently outstanding in the aggregate principal amount of \$10,441,769, (the "Series 2009B Notes"), and its Replacement Bond Anticipation Notes (Special Improvement District 2005-2), Series 2009C, currently outstanding in the aggregate principal amount of \$10,444,761 (the "Series 2009C Notes," and together with the Series 2009A Notes and the Series 2009B Notes, the "Series 2009 Notes"); (b) fund a deposit to a debt service reserve fund; and (c) pay issuance expenses to be incurred in connection with the issuance and sale of the Series 2009 Bonds and the Series 2009 Notes. The Series 2009 Notes were issued to retire the District's Bond Anticipation Notes, Series 2007A, Series 2007B, and Series 2007C (collectively, the "Series 2007 Notes"). Proceeds of the Series 2007 Notes were applied to finance the costs of acquisition and construction of certain improvements within the hereinafter defined Assessment Area (as more fully described herein, the "Improvements").

Brief descriptions and summaries follow of the Series 2009 Bonds, the Indenture, the Resolution, the assessment ordinance adopted by the District on July 8, 2009 (the "Assessment Ordinance"), the District, the Special Improvement District No. 2005-2 (the "Assessment Area"), and the developments within the Assessment Area. Those descriptions and summaries do not purport to be comprehensive or definitive. All references in this Private Placement Memorandum to the Indenture and the Resolution are qualified by reference to such documents in their entirety. All references to the Series 2009 Bonds are qualified by reference to the definitive form of the Series 2009 Bonds included in the Indenture and are further qualified by reference to bankruptcy laws and other laws affecting creditors' rights and to the exercise of judicial discretion.

Capitalized terms used herein, and not otherwise defined shall have the meanings given to such terms in the Indenture. A form of the Indenture in draft form is contained herein as APPENDIX D.

Bondholders' Risks

Certain events could affect the timely repayment of the principal of and interest on the Series 2009 Bonds when due. See the section of this Private Placement Memorandum entitled "BONDHOLDERS' RISKS" for a discussion of certain factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the Series 2009 Bonds. *The purchase of the Series 2009 Bonds involves significant risks and the Series 2009 Bonds are not suitable investments for all investors.* Among other things, the Series 2009 Bonds are not rated by any nationally recognized rating agency nor is there a current appraisal relating to the land in the Assessment Area. Furthermore, this Private Placement Memorandum contains limited information with respect to the hereinafter discussed major property owners and planned development in the Assessment Area. Investors must rely upon their own investigations of the District, the terms and security of the Series 2009 Bonds, the Assessment Area, and the major property owners and the planned development in the Assessment Area in making their investment decision with respect to the Series 2009 Bonds. Purchasers of the Series 2009 Bonds will be required to deliver a letter containing certain representations regarding such purchaser's ability to purchase Series 2009 Bonds and regarding such purchaser's investigations undertaken with respect to its decision to purchase Series 2009 Bonds. Potential investors should also be aware that any transfer or sale of any Series 2009 Bond may only be made to an "accredited investor" or a "qualified institutional buyer." See "APPENDIX A—FORM OF SOPHISTICATED INVESTOR LETTER."

The District

The Jordanelle Special Service District was created in 1993. The District covers approximately 12,000 acres in the Jordanelle Basin surrounding the shoreline areas of the Jordanelle Reservoir in Wasatch County, Utah. The District is located close to Park City, Utah, approximately six miles north of Heber City, Utah and approximately 35 miles east of Salt Lake City, Utah. Day to day activities of the District are governed by an administrative control board; for debt, bonding and property tax matters, the District must receive the approval of the County Council. For more information regarding the District, see "THE DISTRICT" herein.

THE OBLIGATION OF THE DISTRICT WITH RESPECT TO THE SERIES 2009 BONDS IS A SPECIAL LIMITED OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM ASSESSMENTS LEVIED ON THE ASSESSED PROPERTY WITHIN THE ASSESSMENT AREA. EXCEPT FOR A VERY LIMITED DESCRIPTION OF THE DISTRICT CONTAINED UNDER "THE DISTRICT," NO OTHER INFORMATION RELATING TO THE DISTRICT, ITS OPERATIONS OR ITS FINANCIAL CONDITION IS INCLUDED IN THIS PRIVATE PLACEMENT MEMORANDUM.

Special Improvement District No. 2005-2

On February 15, 2006, the County Council, acting as the governing body of the District, created the Assessment Area pursuant to the Act. The Assessment Area was created to finance the acquisition, construction and installation costs of certain water and sewer improvements (the "Improvements") to benefit certain properties within the District. The Assessment Area contains approximately 5,220 acres of land located along the southern arm of the Jordanelle Reservoir.

No Current Appraisal

An appraisal of the property within the Assessment Area was detailed in an appraisal report dated November 25, 2005, by Appraisal Group, Inc., Salt Lake City, Utah. *The District has made no attempt, and will make no attempt, to update the appraised value of the properties within the Assessment Area; however, there is significant evidence that the values of the properties in question have declined since 2005.*

The Improvements

The Improvements consist of various water and sewer infrastructure improvements consisting of lines, storage tanks, pump stations and other related improvements. Acquisition and construction of the Improvements is approximately 97% complete. See "THE IMPROVEMENTS" herein.

The Assessment Ordinance

Pursuant to the Assessment Ordinance, the Assessments on the Assessed Property have been levied. Each Assessment or any part or installment thereof, any interest accruing on the Assessment and any penalties, Trustee's and attorney's fees and other costs of collecting the Assessment shall constitute a lien against the property upon which the Assessment is levied from and after the date on which the Assessment Ordinance became effective, i.e. July 15, 2009. The Assessment Ordinance imposes a lien against all the Assessed Property within the Improvement District. If a Property Owner fails to pay an Assessment with respect to a particular parcel of Assessed Property, that particular parcel of Assessed Property would be subject to foreclosure as provided in the Act. Under the Act, the lien of the Assessments will be superior to the lien of any trust deed, mortgage, mechanic's or materialman's lien or other encumbrances filed in the State and will be equal to and on a parity with, the lien for general property taxes levied in the State.

The Major Property Owners

The land in the Assessment Area is held in several separately assessed parcels within six major ownership blocks (the "Major Property Owners") containing 3,318 equivalent residential units ("ERUs"). A brief discussion of the Major Property Owners is included below.

AS STATED ELSEWHERE IN THE PRIVATE PLACEMENT MEMORANDUM, THE SERIES 2009 BONDS ARE SPECIAL LIMITED OBLIGATIONS PAYABLE SOLELY FROM PAYMENTS TO BE MADE BY THE PROPERTY OWNERS FOR ASSESSMENTS LEVIED ON ASSESSED PROPERTY IN THE IMPROVEMENT DISTRICT. EXCEPT FOR A VERY LIMITED DESCRIPTION OF THE MAJOR PROPERTY OWNERS BELOW, NO OTHER INFORMATION RELATING TO THE MAJOR PROPERTY OWNERS, THEIR OPERATIONS OR THEIR FINANCIAL CONDITION OR ANY OTHER PROPERTY OWNER IS INCLUDED IN THIS PRIVATE PLACEMENT MEMORANDUM.

The Series 2009 Bonds

The Series 2009 Bonds mature in the amount and on the dates and bear interest at the rates shown on the cover page of this Private Placement Memorandum. The Series 2009 Bonds will be issued only as fully-registered bonds and when initially issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2009 Bonds. Purchases of Series 2009 Bonds will be made in book-entry form only, in the denominations of \$100,000 and \$1 increments in excess thereof, through brokers and dealers who are, or who act through, DTC participants. Owners of the Series 2009 Bonds will not be entitled to receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Series 2009 Bonds. Interest on the Series 2009 Bonds is payable on August 1 and February 1 of each year, commencing August 1, 2010, through Zions First National Bank, as Paying Agent, all as more fully described herein. So long as DTC or its nominee is the registered owner of the Series 2009 Bonds, payments of the principal of, premium, if any, and interest on such Series 2009 Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See "APPENDIX F—PROVISIONS REGARDING BOOK-ENTRY SYSTEM" herein.

The Series 2009 Bonds will be dated the date of their initial delivery, and will bear interest from such date to maturity. See "THE SERIES 2009 BONDS."

The Series 2009 Bonds are subject to optional, extraordinary mandatory, mandatory prepayment and mandatory sinking fund redemption prior to maturity as described herein. See "THE SERIES 2009 BONDS—Redemption Provisions" herein.

Security for the Series 2009 Bonds

The Series 2009 Bonds are not a general obligation of the District, but are payable exclusively out of the funds described in the Indenture. The District shall not be liable for the payment of the Series 2009 Bonds, except to

the extent of the funds created and received from (a) proceeds from the sale of any bonds issued to refund and retire the Series 2009 Bonds, (b) the Assessments including Assessments collected through foreclosure sales resulting from unpaid Assessments, and (c) moneys on deposit in the Debt Service Reserve Fund, but the District shall be held responsible for the lawful levy of all Assessments, for the creation and maintenance and replenishment of the Debt Service Reserve Fund, and for the faithful accounting, collection, settlement, and payment of the Assessments. The District may apply at its sole discretion any other legally available funds or revenues to the payment of the principal and interest on the Series 2009 Bonds. See "ASSESSMENTS" herein. The Assessment Ordinance authorizing the levy of the Assessments on the Assessed Property was adopted on July 8, 2009. **There can be no assurance that the District will obtain funds from Assessments collected or from the exercise of remedies or other actions sufficient to pay debt service on the Series 2009 Bonds.**

The Series 2009 Bonds are not general obligations of the District, Wasatch County, Utah, the State of Utah or any other political subdivision. The Series 2009 Bonds are special limited obligations of the District payable solely from the limited sources described under "SECURITY FOR THE SERIES 2009 BONDS" herein.

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

The Series 2009 Bonds are offered subject to the approval of their legality by Ballard Spahr Andrews & Ingersoll, LLP, Bond Counsel to the District, and certain other conditions. Certain legal matters will be passed on for the District by Dan Matthews, Esq., Heber, Utah. Zions Bank Public Finance has acted as financial advisor to the District in connection with the issuance of the Series 2009 Bonds. It is expected that the Series 2009 Bonds will be available for delivery through the facilities of DTC on or about August 19, 2009.

Tax-Exempt Status

Federal Income Tax. In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Bond Counsel to the District, interest on the Series 2009 Bonds is excludable from gross income for purposes of federal income tax, assuming continuing compliance with the requirements of the federal tax laws. Interest on the Series 2009 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 expresses no opinion regarding other federal tax consequences relating to ownership or disposition of or the accrual or receipt of interest on the Series 2009 Bonds.

State Income Tax. Bond Counsel is also of the opinion that, under currently existing laws, interest on the Series 2009 Bonds is exempt from State of Utah individual income taxes. See "TAX MATTERS" herein.

Continuing Disclosure Undertaking

Because the Series 2009 Bonds are initially issued in denominations of at least \$100,000 and are sold to no more than thirty-five persons each of whom represents that it has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the prospective investment, the Series 2009 Bonds are currently exempt from the continuing disclosure requirements of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"). However, pursuant to the Indenture, the District will undertake to provide certain information to the owners of the Series 2009 Bonds.

Contact Persons

The chief contact person for the District concerning the Series 2009 Bonds is:

Dan Matthews, Manager
Jordanelle Special Service District
10420 North Jordanelle Blvd, Suite A
Heber City, Utah 84032
(435) 940-9515 (Telephone)
(435) 333-0514 (Facsimile)
jssd1@xmission.com

Additional requests for information may be directed to the District's financial advisor:

Jon Bronson, Vice President
Zions Bank Public Finance
One South Main Street, 18th Floor
Salt Lake City, Utah 84111-1904
(801) 844-7375 (Telephone)
(801) 844-4484 (Facsimile)
jon.bronson@zionsbank.com

Other Information

This Private Placement Memorandum speaks only as of its date, and the information contained herein is subject to change. Brief descriptions of the District, the Assessment Area, the Assessment Ordinance, the Series 2009 Bonds, the Resolution, and the Indenture are included in this Private Placement Memorandum. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Assessment Ordinance, the Resolution and the Indenture are qualified in their entirety by reference to such documents. A form of the Indenture in draft form is attached hereto as APPENDIX D, and references herein to the Series 2009 Bonds are qualified in their entirety by reference to the form thereof included in the Indenture. The final form of the Indenture after its adoption will be available for inspection at the principal office of the Paying Agent on or after the delivery of the Series 2009 Bonds.

BONDHOLDERS' RISKS

General

The purchase of the Series 2009 Bonds involves a significant degree of investment risk and, therefore, the Series 2009 Bonds are not appropriate investments for many types of investors. The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Series 2009 Bonds. This discussion does not purport to be comprehensive or definitive. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the Assessment Area to pay their Assessment when due. Such failures to pay the Assessment could result in the inability of the District to make full and punctual payments of debt service on the Series 2009 Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the District. See "BONDHOLDERS' RISKS—Land Values" and "—Limited Secondary Market" below.

Concentration of Ownership

Most of the Assessed Property is currently owned or controlled by the Major Property Owners. Assuming additional lots of the Development are sold to individual owners, such individual owners would be obligated to pay Assessments to pay their share of debt service on the Series 2009 Bonds so long as the Assessments have been levied. Until the further sale of units to individuals occurs, the receipt of the Assessments is largely dependent on the willingness and the ability of the Major Property Owners to pay the Assessments when due. No financial information concerning the Major Property Owners is set forth in this Private Placement Memorandum and no

evaluation of the ability of the Major Property Owners to pay Assessments can be made. The inability or unwillingness of the Major Property Owners, or any successors, to pay the annual Assessments could adversely affect the ability of the District to pay the Series 2009 Bonds.

Furthermore, no assurance can be made that the Major Property Owners, or their successors, will complete the intended construction and development in the Assessment Area. See “BONDHOLDERS’ RISKS—Failure to Develop Properties” and “—Bankruptcy and Foreclosure” below, for a discussion of certain limitations on the District’s ability to pursue judicial proceedings with respect to delinquent parcels.

Limited Obligations

The Series 2009 Bonds are special limited obligations and the principal of and interest thereon are not payable from the general funds of the District, the State of Utah or any other political subdivision. Neither the credit or the taxing power of the District, the State of Utah nor any other political subdivision is pledged for the payment of the Series 2009 Bonds or the interest thereon. The principal of, premium, if any, and interest on the Series 2009 Bonds are not a debt of the District or a legal or equitable pledge, charge, lien or encumbrance upon any of the District’s, the State of Utah’s or any other political subdivision’s property or upon any of the District’s, the State of Utah’s or any other political subdivision’s income, receipts or revenues, except proceeds from the Assessments and other amounts pledged under the Indenture.

Assessment Delinquencies

The Act currently provides that assessment installments are due and payable, and bear the same penalties and interest for non-payment, as do ad valorem property tax installments. See “ASSESSMENTS,” herein, for a discussion of the provisions which apply, and procedures which the District is obligated to follow under in the event of delinquencies in the payment of Assessments. See “Bankruptcy and Foreclosure” below for a discussion regarding potential obstacles to the payment of assessments and limitations on the District’s ability to foreclose on the lien of the Assessments in certain circumstances.

Failure to Develop Properties

Undeveloped or partially developed land is inherently less valuable than developed land and provides less security to the Bondowners should it be necessary for the District to foreclose on the property due to the nonpayment of the Assessments. The failure to complete development in the Assessment Area as planned, or substantial delays in the completion of the development due to litigation or other causes may reduce the value of the property within the Assessment Area and increase the length of time during which Assessments will be payable from undeveloped property, and may affect the willingness and ability of the owners of property within the Assessment Area to pay the Assessments when due.

Land development is subject to comprehensive federal, State and local regulations. Approval is required from various agencies, including, in some instances relating to public facilities, the District, in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning and health requirements, as well as numerous other matters. There is always the possibility that such approvals will not be obtained or, if obtained, will not be obtained on a timely basis. Failure to obtain any such agency approval or satisfy such governmental requirements would adversely affect planned land development. Finally, development of land is subject to economic considerations.

There can be no assurance that land development operations within the District will not be adversely affected by deteriorations of the real estate market and economic conditions, increases in interest rates applicable to mortgages, or future local, State and federal governmental policies relating to real estate development, the income tax treatment of real property ownership, or the national economy. A slowdown of the development process and the rate at which lots are sold could adversely affect land values and reduce the ability or desire of the property owners to pay the annual Assessment. In that event, there could be a default in the payment of principal of, and interest on, the Series 2009 Bonds when due.

Bondowners should assume that any event that significantly impacts the ability to develop land in the Assessment Area may cause the property values within the Assessment Area to decrease substantially from those estimated by the Appraiser and could affect the willingness and ability of the owners of land within the Assessment Area to pay the Assessments when due.

Future Land Use Regulations and Growth Control Initiatives

It is possible that future growth control initiatives could be enacted by the voters or future local, state or federal land use regulations could be adopted by governmental agencies and be made applicable to the development of the vacant land within the Assessment Area with the effect of negatively impacting the ability of the owners of such land to complete the development of such land if they should desire to develop it. This possibility presents a risk to prospective purchasers of the Series 2009 Bonds in that an inability to complete desired development increases the risk that the Series 2009 Bonds will not be repaid when due. The owners of the Series 2009 Bonds should assume that any reduction in the permitted density, significant increase in the cost of development of the vacant land or substantial delay in development caused by growth and building permit restrictions or more restrictive land use regulations would cause the values of such vacant land within the Assessment Area to decrease. A reduction in land values increases the likelihood that in the event of a delinquency in payment of Assessment a foreclosure action will result in inadequate funds to repay the Series 2009 Bonds when due.

Completion of construction of any proposed structures on the vacant land within the Assessment Area is subject to the receipt of approvals from a number of public agencies concerning the layout and design of such structures, land use, health and safety requirements and other matters. The failure to obtain any such approval could adversely affect the planned development of such land.

Endangered Species

The District is not aware of any threatened or endangered species on property in or adjacent to the Assessment Area. Any action by the State or federal governments to protect species located on or adjacent to the property within the Assessment Area could negatively impact the ability of the owners of that land to complete development. This, in turn, could reduce the likelihood of timely payment of the Assessments levied against such that land and would likely reduce the value of such land and the potential revenues available at the foreclosure sale for delinquent Assessments. See "Failure to Develop Properties" above.

Natural Disasters

The District, like all Utah communities, may be subject to unpredictable seismic activity, fires, flood, or other natural disasters. In the event of a severe earthquake, fire, flood or other natural disaster, there may be significant damage to both property and infrastructure in the District.

A natural disaster could result in a substantial portion of the property owners being unable or unwilling to pay the Assessment when due. In addition, the value of land in the Assessment Area could be diminished in the aftermath of such a natural disaster, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Assessment.

Hazardous Substances

One of the most serious risks in terms of the potential reduction in the value of a parcel is a claim with regard to a hazardous substance. In general, the owners and operators of a parcel may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the assessed parcels be affected by a hazardous substance, is to reduce the marketability and value of

the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

Further, it is possible that liabilities may arise in the future with respect to any of the parcels resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of a parcel that is realizable upon a delinquency.

As stated elsewhere in this Private Placement Memorandum, the District reports that the Assessed Property has been open space and that it is not aware of any environmental hazards on the subject property.

Parity Taxes and Special Assessments

Property within the Assessment Area is subject to the lien of several overlapping public agencies. The Assessment and any penalties thereon will constitute a lien against the lots and parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with all taxes and special assessments levied by the County or the District and other agencies and is co-equal to and independent of the lien for general property taxes regardless of when they are imposed upon the same property.

The District has no control over the ability of other public agencies and districts to issue indebtedness secured by assessments levied on all or a portion of the property within the Assessment Area. In addition, the landowners within the Assessment Area may, without the consent or knowledge of District, petition other public agencies to issue public indebtedness secured by taxes or assessments. Any such taxes or assessments may have a lien on such property on a parity with the Assessments and could reduce the estimated value-to-lien ratios for property within the Assessment Area described herein.

Disclosures to Future Purchasers

The willingness or ability of an owner of a parcel to pay any Assessment may be affected by whether or not the owner was given due notice of the Assessments at the time the owner purchased the parcel, whether or not the owner was informed of the amount of the Assessment on the parcel, and the financial ability of an owner to pay the Assessment as well as pay other expenses and obligations. Furthermore, pursuant to the Assessment Ordinance, the District will cause a notice of the Assessment lien to be recorded in the Office of the County Recorder against each parcel. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Assessment obligation in the purchase of a property within the District or lending of money thereon.

Payment of the Assessment Is Not a Personal Obligation of the Owners

An owner of a parcel subject to the Assessment is not personally obligated to pay the Assessment, i.e., there is no recourse against the property owner individually. Rather, the Assessment is an obligation which is secured only by a lien against the subject parcel. If the value of a subject parcel is not sufficient, taking into account other liens imposed by public agencies to secure fully the Assessment, the District has no recourse against the owner.

Land Values

The value of the property within the District is a critical factor in determining the investment quality of the Series 2009 Bonds. If a property owner is delinquent in the payment of its Assessment, the District's only remedy is to commence foreclosure proceedings in an attempt to obtain funds to pay such Assessment. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, fires or floods, stricter land use

regulations, delays in development or other events which directly affect the property will adversely impact the security underlying the Assessments.

An appraisal of the property within the Assessment Area was detailed in an appraisal report dated November 25, 2005, by Appraisal Group, Inc., Salt Lake City, Utah. *The District has made no attempt, and will make no attempt, to update the appraised value of the properties within the Assessment Area; however, there is significant evidence that the values of the properties in question have declined since 2005.*

Prospective purchasers of the Series 2009 Bonds should not assume that the land within the Assessment Area could be sold for the amount of the related Assessment at a foreclosure sale for delinquent Assessments. Since no appraisal of the property has been conducted since 2005, potential purchasers of the Series 2009 Bonds should base their investment decision upon their own valuation of land within the Assessment Area and not that of any other person or entity. No assurance can be given that any bid will be received for a parcel with delinquent Assessment offered for sale at foreclosure or, if a bid is received, that such bid will be sufficient to pay all delinquent Assessments.

Bankruptcy and Foreclosure

Bankruptcy, insolvency and other laws generally affecting creditors' rights could adversely impact the interests of owners of the Series 2009 Bonds in various ways. First, the payment of property owners' Assessments and the ability of the District to foreclose the lien of a delinquent unpaid Assessment pursuant to its covenant to pursue judicial foreclosure proceedings may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

Secondly, the Bankruptcy Code might prevent moneys on deposit in the Bond Fund from being applied to pay interest on the Series 2009 Bonds and/or to redeem Series 2009 Bonds if bankruptcy proceedings were brought by or against a landowner and if the court found that any of such landowner had an interest in such moneys within the meaning of Section 541(a)(1) of the Bankruptcy Code.

Although a bankruptcy proceeding would not cause the Assessment to become extinguished, the amount and priority of any Assessment lien could be modified if the value of the property falls below the value of the lien. If the value of the property is less than the lien, such excess amount could be treated as an unsecured claim by the bankruptcy court. In addition, bankruptcy of a property owner could result in a delay in procuring foreclosure proceedings. If enough parcels were involved in bankruptcy proceedings, court delays would increase the likelihood of a delay or default in payment of the principal of, and interest on, the Series 2009 Bonds and the possibility of delinquent tax installments not being paid in full.

The various legal opinions to be delivered concurrently with the delivery of the Series 2009 Bonds (including Bond Counsel's approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

No Acceleration Provision

The Series 2009 Bonds do not contain a provision allowing for the acceleration of the Series 2009 Bonds in the event of a payment default or other default under the Series 2009 Bonds or the Indenture.

Loss of Tax Exemption

As discussed under the caption "TAX MATTERS," the interest on the Series 2009 Bonds could become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2009 Bonds as a result of a failure of the District to comply with certain provisions of the Internal Revenue Code of 1986, as amended.

Limitations on Remedies

Remedies available to the owners of the Series 2009 Bonds may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Series 2009 Bonds or to preserve the tax-exempt status of the Series 2009 Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Series 2009 Bonds and of the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditors' rights, by equitable principles and by the exercise of judicial discretion. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the owners of the Series 2009 Bonds.

Limited Secondary Market

There can be no guarantee that there will be a secondary market for the Series 2009 Bonds or, if a secondary market exists, that such Series 2009 Bonds can be sold for any particular price. Neither the District nor any of the Major Property Owners have committed to provide certain financial and operating information on a periodic basis pursuant to Rule 15c2-12. However, the District will provide certain information to owners of Series 2009 Bonds. See "CONTINUING DISCLOSURE." Furthermore, no application has been made for a rating with respect to the Series 2009 Bonds. Occasionally, because of general market conditions, lack of current information, or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Marketability of the Series 2009 Bonds is further limited by provisions of the Indenture that require that Series 2009 Bonds can only be transferred to investors who have the requisite ability to invest in such Series 2009 Bonds. Furthermore, initial purchasers of the Series 2009 Bonds will be required to execute and deliver a letter to the District and Trustee in substantially the form set forth in Appendix A hereto. See "APPENDIX A—FORM OF SOPHISTICATED INVESTOR LETTER."

SECURITY FOR THE SERIES 2009 BONDS

The Series 2009 Bonds are not a general obligation of the District, but are payable exclusively out of the funds described in the Indenture. The District shall not be liable for the payment of the Series 2009 Bonds, except to the extent of the funds created and received from (a) proceeds from the sale of any bonds issued to refund and retire the Series 2009 Bonds, (b) the Assessments, including Assessments collected through foreclosure sales resulting from unpaid Assessments, and (c) moneys on deposit in the Debt Service Reserve Fund, but the District shall be held responsible for the lawful levy of all Assessments, for the creation and maintenance and replenishment of the Debt Service Reserve Fund, and for the faithful accounting, collection, settlement, and payment of the Assessments. The District may apply at its sole discretion any other legally available funds or revenues to the payment of the principal and interest on the Series 2009 Bonds.

Payment of Bonds—Limited Obligations

The Series 2009 Bonds are not a general obligation of the District but are payable exclusively out of the sources described above. Neither the District, Wasatch County, Utah, the State of Utah nor any other political subdivision, may be held liable for the payment of debt service on any Series 2009 Bond except from the sources described above.

Use of Funds

Assessment Fund. All payments of Assessments received and collected by the District pursuant to the Assessment Ordinance, including Assessments received from the foreclosure sale of delinquent properties shall be deposited upon receipt in the Assessment Fund and shall be transferred to the Trustee within ten (10) days after

receipt for deposit in the funds and accounts in the specified order of priority, each priority being fully paid before funds are used to pay any lower priority and no payment being made on any priority if funds have been exhausted in the payment of higher priorities, as follows:

(a) First, all regularly scheduled payments of Assessments shall be deposited by the Trustee in the Bond Fund to pay the principal of and interest on the Series 2009 Bonds on each Interest Payment Date and at maturity or upon mandatory sinking fund redemption and to fund the Debt Service Reserve Fund as provided in the Indenture;

(b) Second, all prepayments of Assessments, including prepayment premiums, shall be deposited by the Trustee in the Redemption Account within the Bond Fund to redeem Series 2009 Bonds as provided in the Indenture;

(c) Third, Assessments received from the foreclosure sale of delinquent property sufficient to replenish the Debt Service Reserve Fund for draws made thereon to pay principal of or interest on Series 2009 Bonds when due, with respect to said delinquent property shall be deposited into the Debt Service Reserve Fund;

(d) Fourth, all remaining Assessments received from the foreclosure sale of delinquent property shall be deposited by the Trustee in the Redemption Account within the Bond Fund to redeem Series 2009 Bonds pursuant to the Indenture; and

(e) Fifth, any amounts paid to cover the administration costs of the District shall be remitted to the District.

Subject to payment of each of the priorities set forth above and so long as no Event of Default shall have occurred and then be continuing, any amounts then held by the District in the Assessment Fund may be used to pay principal of and interest on any Additional Obligations or any other debt incurred by the District to finance the Improvements when due. Upon the occurrence, and during the continuance, of any Event of Default, the District shall not disburse any funds from the Assessment Fund except for transfers to the Trustee for the purposes and in the priority described above.

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

(i) the amounts provided for in the Indenture;

(ii) moneys transferred from the Debt Service Reserve Fund as provided in the Indenture;

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

(b) Except as provided in this section, moneys in the Bond Fund shall be expended solely for the payment of principal or purchase price of and interest on the Series 2009 Bonds as the same become due, at maturity, upon earlier redemption, or tender.

The District in the Indenture authorizes and directs the Trustee to withdraw sufficient moneys from the Bond Fund to pay principal or purchase price of and interest on the Series 2009 Bonds as the same become due and payable at maturity or upon earlier redemption or tender and to make said moneys so withdrawn available to the Paying Agent for the purpose of paying said principal, purchase price and interest.

A copy of the Indenture in draft form is attached hereto as APPENDIX D.

Pledge and Lien

Pursuant to the Assessment Ordinance, the District has levied Assessments against the Assessed Property in an aggregate amount sufficient to pay the costs of the Improvements. Pursuant to the Indenture the District will pledge the payment of the Assessments to the payment of the Series 2009 Bonds, plus overhead and related costs.

The Series 2009 Bonds, together with interest thereon, are limited obligations of the District payable solely from a first lien pledge of the Assessments levied and collected under the Assessment Ordinance (except to the extent paid out of moneys attributable to the Series 2009 Bond proceeds, moneys collected by the District from the foreclosure of Assessed Properties or other funds created under the Indenture or the income from the temporary investment thereof).

No provision of the Indenture, the Resolution, the Assessment Ordinance, the Series 2009 Bonds, nor any other instrument, shall be construed as creating a general obligation of the District, Wasatch County, Utah, the State of Utah, or any political subdivision thereof, nor as incurring or creating a charge upon the general credit of the District, or its taxing powers.

Debt Service Reserve Fund

Except as otherwise provided in this section, moneys on deposit in the Debt Service Reserve Fund shall at all times be maintained in an amount not less than the Debt Service Reserve Requirement. Upon the issuance of the Series 2009 Bonds, the District shall deposit \$4,085,000 of proceeds in the Debt Service Reserve Fund. Thereafter, regularly scheduled payments of Assessments in excess of the amount required to timely pay principal and interest on the Series 2009 Bonds shall be deposited into the Debt Service Reserve Fund until there shall be on deposit an amount not less than the Debt Service Reserve Requirement as adjusted in accordance with this section. Moneys on deposit in the Debt Service Reserve Fund shall be used to make up any deficiencies in the Bond Fund for the payment of the Series 2009 Bonds when due. If at any time the amount on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Requirement as adjusted herein, the District shall replenish the Debt Service Reserve Fund from proceeds received from the foreclosure sale of delinquent property as provided in the Act. The Debt Service Reserve Requirement shall be adjusted as the Assessments on parcels of property are paid in full, in which case the Debt Service Reserve Requirement shall be reduced by that portion of the Debt Service Reserve Fund attributable to those prepaid Assessments. The District shall give written instruction to the Trustee as to the amounts of money in the Debt Service Reserve Fund to be transferred from the Debt Service Reserve Fund to the Redemption Account within the Bond Fund to redeem Series 2009 Bonds.

Moneys at any time on deposit in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement shall on August 1 of each year be transferred to the Bond Fund to be used to pay principal and/or interest on the Series 2009 Bonds as the same come due. All payments of Assessments coming due on the next assessment payment date shall be reduced pro rata as a result of said transfer from the Debt Service Reserve Fund. Upon the final payment of the Series 2009 Bonds, moneys on deposit in the Debt Service Reserve Fund shall be applied by the Trustee to said final payment, and any excess moneys on deposit thereafter shall at the written direction of the District, be remitted to the owners of assessed property as an overpayment of Assessments.

The Debt Service Reserve Fund shall be replenished only from moneys collected by the District from the foreclosure and sale of delinquent property.

No Parity Bonds

The District may not issue any other obligations that have a parity lien on the Assessments with the Series 2009 Bonds.

The District may issue additional obligations that are secured by a pledge of Assessments subordinate to the Series 2009 Bonds, but only to an amount up to \$3,000,000.

THE SERIES 2009 BONDS

Principal Amount, Date, Interest Rate and Maturity

The Series 2009 Bonds will be issued in the aggregate principal amount set forth on the cover page hereof and will be dated and bear interest from the date of their initial delivery. The Series 2009 Bonds will mature on August 1, 2030. The Series 2009 Bonds will be subject to optional, extraordinary mandatory, mandatory prepayment and mandatory sinking fund redemption as described below, and will bear interest (payable semi-annually on August 1 and February 1 commencing August 1, 2010) at the rates set forth on the inside front cover page of this Private Placement Memorandum. Interest on the Series 2009 Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months.

The Series 2009 Bonds shall mature on August 1, 2030, and shall initially bear interest at the rate of twelve percent (12%) per annum from their Original Issue Date. If an Event of Default occurs under Section 8.1(a), (b) or (c) of the Indenture, those Series 2009 Bonds for which payment or purchase has not been made, or which have otherwise been declared in default, shall accrue interest at the Default Rate from the date on which payment on said Series 2009 Bonds became delinquent, on the Mandatory Purchase Date for any Series 2009 Bonds not purchased, or on the date of the Series 2009 Bonds are otherwise declared in default, in each case until paid in full. In the case of a payment default, the Trustee shall select those Series 2009 Bonds for which payment is delinquent pro rata (based upon the respective aggregate principal amount of each Series then Outstanding as a percentage of the total aggregate principal amount of the Series 2009 Bonds then Outstanding) from each of the Series 2009A Bonds, Series 2009B Bonds and Series 2009C Bonds and shall immediately give notice of such default to the Registered Owners of said defaulted Series 2009 Bonds. The Trustee shall immediately give written notice of the District's failure to purchase any tendered Series 2009 Bonds on the Mandatory Purchase Date to each Bondholder of any Series 2009 Bonds (other than the tendering Bondholder).

Form, Denomination and Registration

The Series 2009 Bonds will be issued in fully-registered form and when initially issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2009 Bonds. Purchases of Series 2009 Bonds will be made in book-entry form only, in the denomination of \$100,000 and \$1 increments in excess thereof, through brokers and dealers who are, or who act through, DTC participants. Owners of the Series 2009 Bonds will not be entitled to receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Series 2009 Bonds. Interest on the Series 2009 Bonds is payable on August 1 and February 1 of each year, commencing August 1, 2010, through Zions First National Bank, as Paying Agent, all as more fully described herein. So long as DTC or its nominee is the registered owner of the Series 2009 Bonds, payments of the principal of, premium, if any, and interest on such Series 2009 Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See "APPENDIX F—PROVISIONS REGARDING BOOK-ENTRY SYSTEM" herein.

Trustee, Paying Agent and Registrar

Zions First National Bank, N.A., Salt Lake City, Utah, a national banking association, will act as the initial Trustee, Paying Agent and Registrar for the Series 2009 Bonds. The principal of, premium, if any, and interest on the Series 2009 Bonds will be payable by the Paying Agent to the Registered Owners of the Series 2009 Bonds.

Redemption Provisions

Optional Redemption. The Series 2009 Bonds are not subject to optional redemption prior to August 18, 2014. On and after August 18, 2014, the Series 2009 Bonds are subject to optional redemption at the option of the District, in whole or in part, on any Business Day at a redemption price equal to one hundred percent (100%) of the principal amount of each Series 2009 Bond to be redeemed plus accrued interest to the redemption date.

Extraordinary Mandatory Redemption. The Series 2009 Bonds are subject to extraordinary mandatory redemption, in whole or in part, on any Business Day that the District selects by notice to the Trustee and is not more than forty-five (45) days after the District's receipt of Assessments collected from the foreclosure sale of delinquent property at a redemption price equal to one hundred percent (100%) of the principal amount of each Bond to be redeemed plus accrued interest to the date of redemption in the amount of Assessments (rounded down to the nearest \$1.00 increment) as the District collects from the foreclosure sale of delinquent property. The particular Series 2009 Bonds or portion thereof to be redeemed shall be selected prior to the redemption date by the Bond Registrar on a pro rata basis first from the Delinquent Portion of the Outstanding Series 2009 Bonds, and second from all remaining Series 2009 Bonds (based upon the respective aggregate principal amount of each series then Outstanding as a percentage of the total aggregate principal amount of Bonds then Outstanding) from each series of Series 2009 Bonds.

Mandatory Prepayment Redemption. The Series 2009 Bonds are subject to mandatory prepayment redemption, in whole or in part, on any Interest Payment Date prior to August 18, 2014, from prepayments of Assessments (rounded down to the nearest \$1.00 increment) at a redemption price equal to one hundred six percent (106%) of the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption. The particular Series 2009 Bonds or portion thereof to be redeemed shall be selected prior to the redemption date by the Bond Registrar on a pro rata basis (based upon the respective aggregate principal amount of each series then Outstanding as a percentage of the total aggregate principal amount of Series 2009 Bonds then Outstanding) from each series of Series 2009 Bonds.

Mandatory Sinking Fund Redemption. The Series 2009A Bonds are subject to mandatory sinking fund redemption at a redemption price equal to one hundred percent (100%) of the principal amount of Series 2009A Bonds to be redeemed plus accrued interest to the redemption date, as follows:

| Mandatory Sinking Fund Redemption Date (August 1) | Mandatory Sinking Fund Installment |
|---|---------------------------------------|
| 2010 | \$326,000 |
| 2011 | 300,000 |
| 2012 | 300,000 |
| 2013 | 300,000 |
| 2014 | 400,000 |
| 2015 | 400,000 |
| 2016 | 500,000 |
| 2017 | 500,000 |
| 2018 | 600,000 |
| 2019 | 700,000 |
| 2020 | 700,000 |
| 2021 | 800,000 |
| 2022 | 900,000 |
| 2023 | 1,100,000 |
| 2024 | 1,200,000 |
| 2025 | 1,300,000 |
| 2026 | 1,500,000 |
| 2027 | 1,600,000 |
| 2028 | 1,800,000 |
| 2029 | 2,100,000 |
| 2030* | 2,300,000 |

* Final maturity.

The Series 2009B Bonds are subject to mandatory sinking fund redemption at a redemption price equal to one hundred percent (100%) of the principal amount of Series 2009B Bonds to be redeemed plus accrued interest to the redemption date, as follows:

| Mandatory Sinking Fund Redemption Date (August 1) | Mandatory Sinking Fund <u>Installment</u> |
|---|--|
| 2010 | \$111,000 |
| 2011 | 100,000 |
| 2012 | 200,000 |
| 2013 | 200,000 |
| 2014 | 200,000 |
| 2015 | 200,000 |
| 2016 | 300,000 |
| 2017 | 300,000 |
| 2018 | 300,000 |
| 2019 | 400,000 |
| 2020 | 400,000 |
| 2021 | 500,000 |
| 2022 | 500,000 |
| 2023 | 600,000 |
| 2024 | 600,000 |
| 2025 | 700,000 |
| 2026 | 800,000 |
| 2027 | 900,000 |
| 2028 | 1,000,000 |
| 2029 | 1,100,000 |
| 2030* | 1,200,000 |

* Final maturity.

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The Series 2009C Bonds are subject to mandatory sinking fund redemption at a redemption price equal to one hundred percent (100%) of the principal amount of Series 2009C Bonds to be redeemed plus accrued interest to the redemption date, as follows:

| Mandatory Sinking Fund Redemption Date (August 1) | Mandatory Sinking Fund Installment |
|---|---------------------------------------|
| 2010 | \$113,000 |
| 2011 | 100,000 |
| 2012 | 200,000 |
| 2013 | 200,000 |
| 2014 | 200,000 |
| 2015 | 200,000 |
| 2016 | 300,000 |
| 2017 | 300,000 |
| 2018 | 300,000 |
| 2019 | 400,000 |
| 2020 | 400,000 |
| 2021 | 500,000 |
| 2022 | 500,000 |
| 2023 | 600,000 |
| 2024 | 600,000 |
| 2025 | 700,000 |
| 2026 | 800,000 |
| 2027 | 900,000 |
| 2028 | 1,000,000 |
| 2029 | 1,100,000 |
| 2030* | 1,200,000 |

* Final maturity.

Upon redemption of any Series 2009 Bonds (other than by application of mandatory sinking fund redemption amounts), an amount equal to the principal amount so redeemed shall be credited pro rata (based upon the respective aggregate principal amount of each series then Outstanding as a percentage of the total aggregate principal amount of Bonds then Outstanding) and to the extent possible in increments of not less than \$1.00, toward all mandatory sinking fund redemption amounts for all series of the Series 2009 Bonds.

If fewer than all of the Series 2009 Bonds are to be redeemed (other than by application of mandatory sinking fund redemption), the particular Series 2009 Bonds or portion thereof to be redeemed shall be selected prior to the redemption date by the Bond Registrar on a pro rata basis (based upon the respective aggregate principal amount of each series then Outstanding as a percentage of the total aggregate principal amount of Bonds then Outstanding) from each series of Series 2009 Bonds (rounded down to the nearest \$1.00 increment).

To the extent that a mandatory sinking fund redemption results in the reduction in aggregate principal amount of any of the Series 2009 Bonds Outstanding, a Bondholder in its discretion: (a) may request the Trustee to issue and authenticate a new Series 2009 Bond certificate, or (b) shall make an appropriate notation on its Series 2009 Bond certificate indicating the date and amounts of such redemption in principal, except in the case of final maturity, in which case the certificate must be presented to the Trustee prior to payment. Should the Bondholder elect not to submit the Series 2009 Bonds for redemption, the Trustee's records shall govern in the case of discrepancy with the noted schedule on the Series 2009 Bond, absent manifest error.

Notice of redemption (other than mandatory sinking fund redemption) shall be given by the Bond Registrar by registered or certified mail, not less than thirty (30) nor more than forty five (45) days prior to the redemption date, to the Bondholder, as of the Record Date, of each Series 2009 Bond which is subject to redemption, at the address of such Bondholder as it appears on the registration books of the District kept by the Bond Registrar, or at such other address as is furnished to the Bond Registrar in writing by such Bondholder on or prior to the Record

Date. Each notice of redemption shall state the Record Date, the redemption date, the place of redemption, the principal amount, the series designation and, if less than all, the distinctive numbers of the Series 2009 Bonds or portions of Series 2009 Bonds to be redeemed, and shall also state that the interest on the Series 2009 Bonds in such notice designated for redemption shall cease to accrue from and after such redemption date upon payment of such redemption price and that on said date there will become due and payable on each of said Series 2009 Bonds the principal of, interest accrued thereon to the redemption date, and premium, if any. Any notice mailed as provided in this section shall be conclusively presumed to have been duly given, whether or not the Bondholder receives such notice. Failure to give such notice or any defect therein with respect to any Series 2009 Bond shall not affect the validity of the proceedings for redemption with respect to any other Series 2009 Bond.

Optional Tender of Series 2009 Bonds; Mandatory Purchase by District. (a) On an Optional Tender Date, any Bondholder of the Series 2009 Bonds may deliver to the District an Optional Tender Notice that requires the District to purchase, in whole or in part, the Outstanding Series 2009 Bonds owned by such Bondholder on such Optional Tender Date, on the Mandatory Purchase Date specified by such Bondholder in such Optional Tender Notice. An Optional Tender Notice, once delivered to the District, shall be irrevocable with respect to the Series 2009 Bonds subject thereto. Any Bondholder of Series 2009 Bonds may deliver an Optional Tender Notice to the District on any Optional Tender Date and from time to time so long as it owns any Series 2009 Bonds. The Bondholder that has delivered an Optional Tender Notice to the District shall also deliver a copy thereof to the Trustee within five days after its delivery to the District, but failure to deliver such copy to the Trustee shall not affect in any manner the District's obligation to pay the purchase price for the tendered Series 2009 Bonds on the Mandatory Purchase Date. Any other Bondholder may elect in writing within twenty (20) Business Days of receiving written notice of such Optional Tender Notice to require the District to purchase, in whole or in part, the Outstanding Series 2009 Bonds owned by such Bondholder on the same Mandatory Purchase Date specified in such Optional Tender Notice.

(b) The District shall purchase or shall cause its designee to purchase such tendered Series 2009 Bonds on the specified Mandatory Purchase Date at a purchase price equal to one hundred percent (100%) of the aggregate unpaid principal amount of such Series 2009 Bonds, together with accrued interest thereon to such Mandatory Purchase Date. The sale of the Series 2009 Bonds so tendered to the District or its designee will take place at 10:00 a.m. (Mountain Time) on the specified Mandatory Purchase Date at such place in Salt Lake City, Utah, as the Bondholder shall designate. On the Mandatory Purchase Date, the District or its designee shall deliver to such Bondholder such amounts as shall be necessary to pay the purchase price for the Series 2009 Bonds to be purchased by the District or its designee, and such Bondholder of the Series 2009 Bonds being tendered shall deliver such Bonds registered in its name to the District or its designee with the assignment of such Bonds appropriately executed, against payment of the purchase price by the District or its designee in federal or other immediately available funds. The sale of the Series 2009 Bonds shall be without recourse to the Bondholder and without any warranties and representations, express or implied, by the Bondholder except that the Bondholder shall warrant its authority to make the transfer of its title to the Series 2009 Bonds sold by it, shall warrant such title is not encumbered or subject to the interest of any other person, and shall indemnify and hold harmless the District against all costs and expenses (including, without limitation, attorneys' fees) incurred as a result of the claim of any other persons to title to the Series 2009 Bonds immediately prior to the sale. The District's failure to purchase all Series 2009 Bonds tendered pursuant to this section on the specified Mandatory Purchase Date shall constitute an Event of Default, and the non-purchased, but tendered, Series 2009 Bonds shall accrue interest at the Default Rate from such Mandatory Purchase Date until paid in full.

Transfer and Exchange

Any Series 2009 Bond may, in accordance with its terms, be transferred, upon the registration books kept by the Bond Registrar, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Series 2009 Bond for cancellation at the principal office of the Bond Registrar, accompanied by delivery of a written instrument of transfer in a form approved by the Bond Registrar, duly executed. No transfer shall be effective until entered on the registration books kept by the Bond Registrar. Any Series 2009 Bond (including any interest therein) may only be registered in the name of, and transferred to, a transferee whom the transferring Bondholder reasonably believes qualifies as a "qualified institutional buyer" within the meaning of Rule 144A promulgated under the Securities Act of 1933, as amended. The District, the Bond Registrar and the Paying Agent may treat and consider the person in whose name each Series 2009 Bond is registered in the registration

books kept by the Bond Registrar as the holder and absolute owner thereof for the purpose of receiving payment of, or on account of, the principal or redemption price thereof and interest due thereon and for all other purposes whatsoever.

Whenever any Series 2009 Bond or Bonds shall be surrendered for transfer, the Bond Registrar shall authenticate and deliver a new fully registered Series 2009 Bond or Bonds (which may be an Exchange Bond or Bonds pursuant to the Indenture) of the same series, designation, maturity and interest rate and of authorized denominations duly executed by the District, for a like aggregate principal amount. The Bond Registrar shall require the payment by the Bondholder requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer. With respect to each Series 2009 Bond, no such transfer shall be required to be made (i) after the Record Date with respect to any Interest Payment Date to and including such Interest Payment Date, or (ii) after the Record Date with respect to any redemption of such Series 2009 Bond.

The District shall not be required to register the transfer of or exchange any Series 2009 Bond selected for redemption in whole or in part, except the unredeemed portion of Series 2009 Bonds being redeemed in part. Upon surrender of any Series 2009 Bond redeemed in part only, the District shall execute and the Bond Registrar shall authenticate and deliver to the Bondholder, at the expense of the District, a new Series 2009 Bond or Bonds (which may be an Exchange Bond or Bonds) of the same series, designation, maturity and interest rate and of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Series 2009 Bonds may be exchanged at the principal corporate trust office of the Bond Registrar for a like aggregate principal amount of fully registered Series 2009 Bonds (which may be an Exchange Bond or Bonds) of the same series, designation, maturity and interest rate and other authorized denominations. The Bond Registrar shall require the payment by the Bondholder requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. With respect to each Series 2009 Bond, no such exchange shall be required to be made (a) with respect to any Interest Payment Date after the Record Date to and including such Interest Payment Date or (b) with respect to any redemption of any Series 2009 Bond, after such Record Date as shall be specified by the Bond Registrar in the notice of redemption.

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DEBT SERVICE REQUIREMENTS

The following table shows the annual debt service on the Series 2009 Bonds for the periods indicated:

| <u>Payment Dates</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------|---------------------|---------------------|----------------------|
| 08/01/2010 | \$550,000 | \$4,656,900 | \$5,206,900 |
| 02/01/2011 | – | 2,418,000 | 2,418,000 |
| 08/01/2011 | 500,000 | 2,418,000 | 2,918,000 |
| 02/01/2012 | – | 2,388,000 | 2,388,000 |
| 08/01/2012 | 700,000 | 2,388,000 | 3,088,000 |
| 02/01/2013 | – | 2,346,000 | 2,346,000 |
| 08/01/2013 | 700,000 | 2,346,000 | 3,046,000 |
| 02/01/2014 | – | 2,304,000 | 2,304,000 |
| 08/01/2014 | 800,000 | 2,304,000 | 3,104,000 |
| 02/01/2015 | – | 2,256,000 | 2,256,000 |
| 08/01/2015 | 800,000 | 2,256,000 | 3,056,000 |
| 02/01/2016 | – | 2,208,000 | 2,208,000 |
| 08/01/2016 | 1,100,000 | 2,208,000 | 3,308,000 |
| 02/01/2017 | – | 2,142,000 | 2,142,000 |
| 08/01/2017 | 1,100,000 | 2,142,000 | 3,242,000 |
| 02/01/2018 | – | 2,076,000 | 2,076,000 |
| 08/01/2018 | 1,200,000 | 2,076,000 | 3,276,000 |
| 02/01/2019 | – | 2,004,000 | 2,004,000 |
| 08/01/2019 | 1,500,000 | 2,004,000 | 3,504,000 |
| 02/01/2020 | – | 1,914,000 | 1,914,000 |
| 08/01/2020 | 1,500,000 | 1,914,000 | 3,414,000 |
| 02/01/2021 | – | 1,824,000 | 1,824,000 |
| 08/01/2021 | 1,800,000 | 1,824,000 | 3,624,000 |
| 02/01/2022 | – | 1,716,000 | 1,716,000 |
| 08/01/2022 | 1,900,000 | 1,716,000 | 3,616,000 |
| 02/01/2023 | – | 1,602,000 | 1,602,000 |
| 08/01/2023 | 2,300,000 | 1,602,000 | 3,902,000 |
| 02/01/2024 | – | 1,464,000 | 1,464,000 |
| 08/01/2024 | 2,400,000 | 1,464,000 | 3,864,000 |
| 02/01/2025 | – | 1,320,000 | 1,320,000 |
| 08/01/2025 | 2,700,000 | 1,320,000 | 4,020,000 |
| 02/01/2026 | – | 1,158,000 | 1,158,000 |
| 08/01/2026 | 3,100,000 | 1,158,000 | 4,258,000 |
| 02/01/2027 | – | 972,000 | 972,000 |
| 08/01/2027 | 3,400,000 | 972,000 | 4,372,000 |
| 02/01/2028 | – | 768,000 | 768,000 |
| 08/01/2028 | 3,800,000 | 768,000 | 4,568,000 |
| 02/01/2029 | – | 540,000 | 540,000 |
| 08/01/2029 | 4,300,000 | 540,000 | 4,840,000 |
| 02/01/2030 | – | 282,000 | 282,000 |
| 08/01/2030 | <u>4,700,000</u> | <u>282,000</u> | <u>4,982,000</u> |
| Total | <u>\$40,850,000</u> | <u>\$72,060,900</u> | <u>\$112,910,900</u> |

(Source: The District's Financial Advisor.)

PLAN OF FINANCING

Proceeds from the Series 2009 Bonds will be used to retire the principal of and interest on the Series 2009 Notes. The Series 2009 Notes will be retired at a price of 100% of the principal amount thereof plus accrued interest to the date of their payment, currently scheduled to occur on August 19, 2009. Upon the retirement of the Series 2009 Notes, such Notes will be considered paid in full pursuant to the documents that authorized the issuance of such Notes.

THE IMPROVEMENTS

A portion of the proceeds from the Series 2007 Notes were used to finance a portion of the costs of acquisition and construction of the Improvements that benefit the properties in the Assessment Area. The Improvements consist generally of water and sewer lines, a water reclamation facility, various lift stations, power service, water tanks, pump houses, and related equipment facilities, and improvements.

The total cost of the Improvements was originally estimated as \$36,940,979.50. To date the District has spent all of the construction proceeds from the Series 2007 Notes to pay the costs of acquiring the Improvements. Acquisition and construction of the Improvements is approximately 97% completed. Additional Improvements that remain to be constructed include the head works, piping to and from the sewer plant, and the installation of the grinder equipment that handles the wastewater flow as it enters the reclamation plant. The District estimates that completion of the Improvements will cost approximately \$3,000,000. Approximately half of the \$3,000,000 of the remaining Improvements is complete but unpaid for. The balance of the \$3,000,000 in Improvements will not be undertaken until such time that financing is arranged for such Improvements. All of the \$3,000,000 in Improvements are expected to be paid from a financing that the District plans to undertake.

The Improvements have been divided into nine distinct tiers of Improvements that benefit the several properties in different ways, which are more specifically described as follows:

- Tier 1 Improvements: Water reclamation facility, lift stations, reclamation facility, lift-forced main, sewer lines, power service, property acquisition, and miscellaneous equipment and improvements.
- Tier 2 Improvements: Three-phase power service to all facilities.
- Tier 3 Improvements: Mower/Cummings lift station and forced main, property acquisition, and miscellaneous equipment and improvements.
- Tier 4 Improvements: Aspen lift station, Aspen lift forced mains, power service, property acquisition, and miscellaneous equipment improvements.
- Tier 5 Improvements: Rock Cliff lift station, Rock Cliff forced main, power service, sewer lines, property acquisition, and miscellaneous equipment and improvements.
- Tier 6 Improvements: Gravity sewer line, internal sewer, highway and Provo River crossings, and miscellaneous equipment and improvements.
- Tier 7 Improvements: Gravity line (State Park Road to Gate House), canal crossing, trench rehabilitation, traffic control, and miscellaneous equipment and improvements.
- Tier 8 Improvements: Victory Ranch well and pump house, Lady Long Hollow well and pump house, water transmission lines, water tank, and miscellaneous equipment and improvements.
- Tier 9 Improvements: Aspens well #1 and pump house and Aspens well #2 and pump house, water transmission lines, water tank, and miscellaneous equipment and improvements.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds of the Series 2009 Bonds.

Sources of Funds

| | |
|---|------------------------|
| Principal Amount of Series 2009 Bonds | <u>\$40,850,000.00</u> |
| Total Sources of Funds | <u>\$40,850,000.00</u> |

Uses of Funds

| | |
|--|------------------------|
| Retirement of the Series 2009 Notes | \$36,513,342.82 |
| Debt Service Reserve Fund ⁽¹⁾ | 4,085,000.00 |
| Costs of Issuance ⁽²⁾ | <u>251,657.18</u> |
| Total Uses of Funds | <u>\$40,850,000.00</u> |

- ⁽¹⁾ Equals the debt service reserve requirement for the Series 2009 Bonds.
⁽²⁾ Includes legal fees, paying agent fees, rounding amount and other miscellaneous fees and expenses.

ASSESSMENTS

General

The Assessment Ordinance adopted by the District on July 8, 2009, levies an Assessment on all Assessed Property included in the Assessment Area based on “equivalent residential units.” The term “equivalent residential unit” or “ERU” is defined as any dwelling unit or development which in its nature of use or impact on the proposed Improvements is equal to a single-family residential unit. The total minimum number of ERUs assigned to the properties to be assessed was obtained through consultations between the owners of the properties to be assessed and the District. There is no assurance that the estimated number of ERUs will be developed within the Assessment Area or that each parcel of property proposed to be assessed will ultimately be developed. The estimated number of ERUs for each parcel of property to be assessed represents that property owner’s estimate of the number of ERUs that may at some future time be developed on said parcel proposed to be assessed within the Assessment Area. The types of Improvements benefiting each parcel or parcels of property and the total number of ERU’s attributable to each parcel or parcels is as follows:

| All properties within the Assessment Area owned by the following Major Property Owner or related entity ⁽¹⁾ | Total ERUs | Tiers of Improvements ⁽²⁾ | Estimated Assessment/ERU |
|--|------------|--------------------------------------|--------------------------|
| Victory Ranch A | 400 | 1, 2, 4, 5, 6, and 9 | \$22,572.75 |
| Victory Ranch B | 349 | 1, 2, 4, 5, 7, and 9 | 24,225.83 |
| Aspens | 1,384 | 1, 2, 4, and 8 | 14,631.70 |
| J. R. Christensen | 400 | 1, 2, and 4 | 10,988.89 |
| Cummings | 205 | 1, 2, and 3 | 12,588.94 |
| Mower | 80 | 1, 2, and 3 | 12,588.94 |
| Sorenson (JLS) | 500 | 1 | 9,036.94 |

- ⁽¹⁾ A more detailed description of these properties and their owners follows below; see “THE ASSESSMENT AREA, DEVELOPMENT, AND PROPERTY OWNERSHIP—Major Property Owners in the Assessment Area.”
⁽²⁾ The numbers correspond with the proposed tiers of Improvements listed above, under “THE IMPROVEMENTS.”

Pursuant to the Assessment Ordinance, Assessments are levied against the Assessed Property benefited by the Improvements in the total aggregate principal amount not to exceed the aggregate sum of (i) the contract price or

estimated contract price of the Improvements; (ii) the acquisition price of the Improvements; (iii) the reasonable cost of utility services, maintenance, operation, labor, materials or equipment supplied by the District, if any; (iv) the property price, or estimated property price; and (v) overhead costs not to exceed fifteen percent (15%) of the sum of (i), (ii), and (iii); (vi) and amount for contingencies of not more than ten percent (10%) of the sum of (i) and (ii); and (vii) an amount sufficient to fund the Debt Service Reserve Fund. Certain provisions of the Assessment Ordinance are described below.

Levy of Assessments. As previously mentioned, the District levied Assessments as provided in the Act on all parcels and lots of real property within the Assessment Area benefiting by the Improvements. The purpose of the Assessments and levy is to pay those costs of the Improvements which the District will not assume and pay. The method of Assessment is by ERU as set forth above.

Payment of Assessments. Under the Act, the whole or any part of the Assessments may be paid without interest within twenty-five (25) days after the Assessment Ordinance becomes effective, which effective date occurred upon its publication on July 15, 2009. Consequently, pursuant to the Assessment Ordinance, Assessments shall be payable from the effective date of the Assessment Ordinance in installments of principal and interest on the unpaid balance of the Assessments at the same rate as the effective interest rate of the Series 2009 Bonds.

The Assessment Ordinance directs that all unpaid installments of an Assessment levied against any parcel of property may be paid prior to the dates on which they become due, but any such prepayment must include an additional amount equal to the interest which would accrue on the Assessments to the next succeeding date on which interest is payable on the Series 2009 Bonds, plus such additional amount as, in the opinion of the District Treasurer, is necessary to assure the availability of money to pay interest on the Series 2009 Bonds as interest becomes due and payable plus any premiums which may be charged and become payable on redeemable Series 2009 Bonds which may be called in order to utilize the Assessments paid in advance. See "THE SERIES 2009 BONDS—Redemption Provisions."

Default in Payment. According to the Assessment Ordinance, if a default occurs in the payment of any Assessment when due, the District Treasurer, on behalf of the District, may declare the unpaid amount of such Assessment to be immediately due and payable and subject to collection as provided in the Assessment Ordinance. In addition, the District Treasurer, on behalf of the District, may accelerate payment of the total unpaid balance of the Assessments relating to such delinquent Assessment and declare the whole of the unpaid principal and interest of such Assessments relating to such delinquent Assessment then due to be immediately due and payable. Interest shall accrue and be paid on all amounts declared to be delinquent or accelerated and immediately due and payable at the default rate prescribed in the Indenture. In addition to interest charges at the Default Rate, costs of collection, as approved by the District Treasurer on behalf of the District, including, without limitation, attorneys' fees, trustee's fees and court costs, incurred by the District or required by law shall be charged and paid on all amounts declared to be delinquent or accelerated and immediately due and payable.

Upon any default, the District Treasurer shall give notice in writing of the default to the owner of the property in default, as shown by the last available equalized Assessment list of the County. Notice shall be effective upon deposit of the notice in the U.S. Mail, postage prepaid, and addressed to the owner as shown on the last property assessment rolls of the County. The notice shall provide for a period of fifteen (15) days in which the owner shall pay the installments then due and owing, after which the County Treasurer, on behalf of the County, shall immediately initiate a sale of the property as provided in Title 57, Chapter 1, Utah Code Annotated 1953, as amended, and related pertinent provisions of the Act, in the manner provided for actions to foreclose trust deeds. Under the Assessment Ordinance, the District will designate a trustee (the "Foreclosure Trustee") to carry out such foreclosure, and said Foreclosure Trustee shall be deemed to have a power of sale and all other rights, power and authority necessary to legally and lawfully foreclose the lien for delinquent Assessments. If for any reason, the Foreclosure Trustee cannot perform the powers and responsibilities as provided in the Assessment Ordinance, it may appoint, with the consent of the County Council, a qualified trustee to serve as Foreclosure Trustee. If at the sale no person or entity shall bid and pay the District the amount due on the Assessment plus interest and costs, the property shall be deemed sold to the District for these amounts. The District shall be permitted to bid at the sale. So long as the District retains ownership of the property, it shall pay all delinquent Assessment installments and all Assessment installments that become due, including the interest on them. The Bondholder may at its discretion, elect to transfer

ownership of the property to the owner of the Series 2009 Bonds in full satisfaction of all then outstanding Assessments on such property, and any payment obligations of the District to the owner of the Series 2009 Bonds.

The remedies provided in the Assessment Ordinance for the collection of Assessments and the enforcement of liens shall be deemed and construed to be cumulative and the use of any one method or means or remedy of collection or enforcement available at law or in equity shall not deprive the District or the Foreclosure Trustee on behalf of the District, of the use of any other method or means. The amounts of accrued interest and all costs of collection, Foreclosure Trustee fees, attorneys' fees, and costs, shall be added to the amount of the Assessment up to, and including, the date of foreclosure sale.

Remedy of Default. The Assessment Ordinance provides that if prior to the final date payment may be legally made under a final sale or foreclosure of property to collect delinquent Assessments, or prior to the end of the three-month reinstatement period provided by Section 57-1-31 Utah Code Annotated 1953, as amended, in the event the collection is enforced through the method of foreclosing trust deeds, the property owner pays the full amount of all unpaid installments of principal and interest which are past due and delinquent with interest on such installments at the rate or rates to be set forth in the Assessment Ordinance to the payment date, plus all trustee's fees, attorneys' fees and other costs of collection, the Assessment of said owner shall be restored and the default removed, and thereafter the owner shall have the right to make the payments in installments as if the default had not occurred. Any payment made to cure a default shall be applied, first, to the payment of attorneys' fees and other costs incurred as a result of such default; second, to interest charged on past due installments, as set forth above; third, to the interest portion of all past due Assessments; and last, to the payment of outstanding principal.

Lien of Assessment. An Assessment or any part or installment of it, any interest accruing and the penalties, trustee's fees, attorneys' fees and other costs of collection shall constitute a lien against the property upon which the Assessment is levied on the effective date of the Assessment Ordinance. Said lien shall be superior to the lien of any trust deed, mortgage, mechanic's or materialman's lien or other encumbrance and shall be equal to and on a parity with the lien for general property taxes. The lien shall continue until the Assessment and any interest, penalties and costs on it are paid, notwithstanding any sale of the property for or on account of a delinquent general property tax, special tax or other assessment or the issuance of tax deed, an assignment of interest by the governing entity or a sheriff's certificate of sale or deed.

THE ASSESSMENT AREA, DEVELOPMENT, AND PROPERTY OWNERSHIP

General

The information herein regarding ownership and development of property in the Assessment Area has been included because it is considered relevant to an informed evaluation of the Series 2009 Bonds. Although this Private Placement Memorandum contains information regarding the development in the Assessment Area, such information is limited in its availability, scope and nature. Investors are encouraged to consider the value of the land in the Assessment Area in making an investment decision with respect to the Series 2009 Bonds. Due to the limited information with respect to development in the Assessment Area, investment in the Series 2009 Bonds may not be suitable for certain types of investors.

No assurance can be given that proposed developments within the Assessment Area will occur as described below. As the proposed developments progress and lots are sold, it is expected that the ownership of the land within the Assessment Area will become more diversified. No assurance can be given that development of the land within the Assessment Area will occur, or that it will occur in a timely manner or in the configuration or intensity described herein, or that any landowner described herein will retain ownership of any of the land within the Assessment Area. The Series 2009 Bonds are not personal obligations of any landowners and, in the event that a landowner defaults in the payment of an Assessment, the District may proceed with judicial foreclosure but has no direct recourse to the assets of any landowner. As a result, no financial statements or information is provided about the landowners. The Series 2009 Bonds are secured solely by proceeds of the Assessments and other amounts pledged under the Indenture. See "SECURITY FOR THE SERIES 2009 BONDS" and "BONDHOLDERS' RISKS."

Special Improvement District No. 2005-2

On February 15, 2006, the County Council, acting as the governing body of the District, created the Assessment Area pursuant to Title 17A, Chapter 3, Part 2 of the Utah Code Annotated, 1953, as amended. The Assessment Area was created to finance the acquisition, construction and installation costs of certain water and sewer improvements to benefit certain properties within the District.

The Assessment Area contains approximately 5,220 acres of land located along the southern arm of the Jordanelle Reservoir. The land is held among several property owners including the Major Property Owners in several separately assessed parcels containing 3,318 ERUs.

Natural & Environmental Hazards.

Flood Hazard. The Appraiser reported that according to the FEMA flood community map of the area, the Assessment Area is not located within a flood hazard area.

Earthquake Hazard. No seismic studies have been conducted on the Assessment Area in connection with the issuance of the Series 2009 Bonds. However, the District is not aware of any portion of the Assessment Area being located in an earthquake zone.

Environmental Hazards. No environmental studies have been conducted on the Assessment Area in connection with the issuance of the Series 2009 Bonds. However, the District believes that the property in the Assessment Area has been open and is not aware of any environmental hazards on the subject property.

Major Property Owners in the Assessment Area

Victory Ranch. Victory Ranch Development Inc. has planned a 3,200 acre development consisting of 749 equivalent residential units (mainly high-end primary and secondary residences), an 18-hole golf course designed by Rees Jones, an additional 9-hole golf course, and a par-3 golf course. The development has been marketing the Victory Ranch Club, the amenities of which would also include exclusive access to over 15 acres of fishing ponds, 5 miles of trout fishing along the upper Provo River, the River Cabin Fishing Lodge/fly shop and grill, an equestrian center, large picnic pavilions, a spa and fitness club, swimming pool, tennis club, skeet and trap shooting facility, wilderness yurts, and over 60 miles of hiking/biking/horse/and backpacking trails.

Victory Ranch has completed several phases of its development and the 18-hole golf course. The water and sewer systems financed by the Series 2007 Notes have been completed and are operational. The fishing lodge has been constructed and is in use. There are also several single family residences that have been constructed or are in the process of being constructed. The District is providing water and sewer service to those structures.

The CEO and principal of Victory Ranch Development, Inc. is Mr. Robert M. Larsen of Miami, Florida. Mr. Larsen and his affiliates have also developed the following projects: University Avenue Business Center in Fridley, Minnesota; Maplewood Commons Shopping Center in Maplewood, Minnesota; South Robert Plaza in West St. Paul, Minnesota; Burnsville Plaza Shopping Center in Burnsville, Minnesota; Ridgedale Plaza Shopping Center in Minnetonka, Minnesota; Arrowhead Point Shopping Center in Harrisburg, Illinois; Lake Park Shopping Center in Michigan City, Indiana; and Jockey Club in Miami, Florida.

The Aspens (Talisman). The name of the Aspens development was changed to Talisman. The Talisman project is expected to include the construction of high-end residential homes (both primary and secondary) with a total equivalent residential unit count of 1,384, along with exclusive rights to amenities such as golf, ski, and equestrian facilities.

Talisman has received final approval for the first phase of its project. It has started shaping some of the golf course including ponds and water features. It has roughed in an access road so that work can begin on the infrastructure necessary to complete its first phase but suspended work more than one year ago. Talisman built a sales office and also purchased hundreds of trees and stockpiled them on site.

Talisman is owned by Prime West Holdings, LC, which is located in Orem, Utah, and by PWJ Holdings, LLC. The founding principals of Prime West Holdings, LC are Nathan Welch and Steve Patterson. They reported equity in a number of subsidiaries used for other developments. Such subsidiaries include: Esperanza Development, LLC in Elroy, Arizona; The Village at Dos Rios in Avondale, Arizona; and Summit Ranch in Elko, Nevada.

In February 2009, PWJ Holdings, LLC filed for protection under chapter 11 of the US bankruptcy code.

J.R. Christenson Property (Highlands). The developer of the property known as the J.R. Christenson property submitted a proposal to the County for density determination under the project name, "The Highlands." The Highlands project is expected include 400 equivalent residential units spread over 640 acres. The developer for the Highlands project is still working on access agreements with neighboring properties. No work has started on the Highlands project. This property is largely owned by The Highlands at Jordanelle, LLC.

Mower. The Mower property includes 300 acres on which the owners have indicated their intention to eventually develop 80 equivalent residential units. No work has started on the Mower project. The Mower property was owned by Ms. Shirley Mower but was sold in 2007 to Desert Cove Homes, also known as DCH Jordanelle, LLC or DCH1 19, LLC.

Cummings (Jackson Fork). The Cummings property is now called the Jackson Fork project. The owner has gone through the County process and has received final approval for the first phases of its project. The District has approved water and sewer plans for its on-site infrastructure. This project is expected to include the development of 205 equivalent residential units on 360 acres of land. To date, no work has begun on the Jackson Fork property. The Jackson Fork property is owned by David Berg Cummings and Cummings Land and Livestock, LLC.

Sorenson. The Sorenson property consists of 1,026 acres of property along the western end of the south arm of the Jordanelle Reservoir. The parcel has been in the planning stage for many years. The developer for the Sorenson property plans to locate 500 equivalent residential units of high-end primary and secondary homes on the site. Other amenities in the planning stages include golf venues. The Sorenson property has received a density determination from the County. To date, no work has commenced on the Sorenson property. The Sorenson property is owned by Sorenson Development, Inc. – largely through JLS Properties, LLC. Sorenson Development, Inc. is a wholly owned subsidiary of Sorenson Group Holdings, LLC. Sorenson Development, Inc. is involved with a number of other real estate developments including: Rosecrest in Herriman, Utah; The Herriman Towne Center in Herriman, Utah; Sorenson Technology Park in Park City, Utah; The Pointe in Draper, Utah; and Jordanelle Ridge, Wasatch County, Utah.

No Current Appraisal

An appraisal of the property within the Assessment Area was detailed in an appraisal report dated November 25, 2005, by Appraisal Group, Inc., Salt Lake City, Utah. *The District has made no attempt, and will make no attempt, to update the appraised value of the properties within the Assessment Area; however, there is significant evidence that the values of the properties in question have declined since 2005.*

THE DISTRICT

The Jordanelle Special Service District was created in 1993. The District covers approximately 12,000 acres in the Jordanelle Basin surrounding the shoreline areas of the Jordanelle Reservoir in Wasatch County, Utah. It is located close to Park City, Utah, approximately six miles north of Heber City, Utah and approximately 35 miles east of Salt Lake City, Utah. Prior to the creation of the Jordanelle Reservoir, the Jordanelle Basin accommodated agricultural activities and grazing, primarily in the low lying areas. Upon completion of the Jordanelle Reservoir in 1994, much of the agricultural land was flooded and the area became more oriented toward recreation and possible residential and commercial development.

The District is governed by an administrative control board (the "Control Board"). The Control Board is charged with the responsibility of conducting the day to day operations of the District. The Control Board consists

of two members appointed by the County Council of the County (the “County Council”). Although the Control Board controls the daily operations of the District, certain actions, such as the issuance of bonds by the District, require the approval of the County Council, acting as the governing authority of the District.

THE SERIES 2009 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM PROCEEDS OF ASSESSMENTS LEVIED ON THE ASSESSED PROPERTY WITHIN THE ASSESSMENT AREA AND OTHER AMOUNTS PLEDGED UNDER THE INDENTURE. EXCEPT FOR A VERY LIMITED DESCRIPTION OF THE DISTRICT CONTAINED UNDER THIS CAPTION, NO OTHER INFORMATION RELATING TO THE DISTRICT, ITS OPERATIONS OR ITS FINANCIAL CONDITION IS INCLUDED IN THIS PRIVATE PLACEMENT MEMORANDUM. POTENTIAL INVESTORS SHOULD BASE THEIR INVESTMENT DECISIONS WITH RESPECT TO THE SERIES 2009 BONDS SOLELY ON THE VALUE OF THE ASSESSED PROPERTY.

Employee Workforce and Retirement System

The District currently employs approximately 26 full-time employees and approximately 2 part-time employees for a total employment of approximately 28 employees. The District is a member of the Utah State Retirement System and participates in a deferred compensation plan. See “APPENDIX B—AUDITED BASIC FINANCIAL STATEMENTS OF JORDANELLE SPECIAL SERVICE DISTRICT FOR THE YEAR ENDED JUNE 30, 2008, —Notes to the Financial Statements—Note 10: Retirement Plans” below.

Additional Information

For additional information with respect to the District and its finances see “FINANCIAL INFORMATION REGARDING THE DISTRICT,” “APPENDIX B—AUDITED BASIC FINANCIAL STATEMENTS OF JORDANELLE SPECIAL SERVICE DISTRICT FOR THE YEAR ENDED JUNE 30, 2008” and “APPENDIX C—ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING WASATCH COUNTY.”

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FINANCIAL INFORMATION REGARDING THE DISTRICT

Five-Year Financial Summary

The following tables set forth a summary of certain financial information regarding the District and have been extracted from the District's audited general purpose financial statements for the fiscal years ended June 30, 2004, through June 30, 2008. The summary itself is unaudited.

JORDANELLE SPECIAL SERVICE DISTRICT
Statement of Revenues, Expenses, and Changes in Net Assets
(For the years ended December 31)
(This summary has not been audited.)

| | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Operating Revenue | | | | | |
| Charges for services | \$4,540,758 | \$4,306,591 | \$5,784,626 | \$3,644,939 | \$3,801,861 |
| Hookup fees | 126,843 | 105,735 | 97,310 | 808,183 | 47,755 |
| Bond assessments | 7,218,770 | 10,417,419 | 10,947,378 | 8,613,060 | 6,595,758 |
| Miscellaneous | <u>1,290,233</u> | <u>805,916</u> | <u>615,480</u> | <u>583,341</u> | 379,235 |
| Total Operating Revenues | <u>13,176,604</u> | <u>15,635,661</u> | <u>17,444,794</u> | <u>13,649,523</u> | <u>10,824,609</u> |
| Operating Expenses | | | | | |
| Payroll and related benefits | 2,043,061 | 1,531,818 | 1,072,754 | 902,049 | 950,004 |
| Insurance | 128,183 | 280,958 | 218,317 | 215,238 | 203,074 |
| Telephone and utilities | 674,758 | 823,970 | 597,431 | 614,960 | 521,542 |
| Legal, professional, and technical | 1,375,989 | 1,269,357 | 1,129,856 | 594,389 | 512,912 |
| Materials, supplies, and services | 3,431,723 | 2,229,813 | 2,105,649 | 2,094,770 | 1,856,177 |
| Miscellaneous | 242,984 | 130,215 | 91,974 | 101,853 | 58,255 |
| Depreciation | 2,299,454 | 1,471,922 | 1,418,448 | 1,383,484 | 1,383,026 |
| Amortization | <u>308,342</u> | <u>146,319</u> | <u>137,697</u> | <u>91,956</u> | <u>87,797</u> |
| Total Operating Expenses | <u>10,504,494</u> | <u>7,884,372</u> | <u>6,772,126</u> | <u>5,998,699</u> | <u>5,572,787</u> |
| Operating Income | <u>2,672,110</u> | <u>7,751,289</u> | <u>10,672,668</u> | <u>7,650,824</u> | <u>5,251,822</u> |
| Nonoperating Revenues (Expenses) | | | | | |
| Interest Revenue | 1,245,094 | 801,321 | 632,074 | 358,741 | 111,231 |
| Gain on sale of assets | - | - | - | - | 18,900 |
| Interest Expense | (1,538,250) | (1,939,468) | (2,654,199) | (2,616,778) | (2,727,190) |
| Loss on sale of assets | (98,419) | - | (6,000) | (34,875) | - |
| Loss on maturity of investments | - | - | (103,769) | - | - |
| Total Nonoperating Revenues (Expenses) | (391,575) | (1,138,147) | (2,131,894) | (2,292,912) | (2,597,059) |
| Income Before Contributions | <u>2,280,535</u> | <u>6,613,142</u> | <u>8,540,774</u> | <u>5,357,912</u> | <u>2,654,763</u> |
| Capital Contributions | | | | | |
| Impact fees | 279,229 | 416,058 | 472,134 | 551,227 | 122,653 |
| Contributions from developers | <u>8,936,295</u> | <u>1,956,200</u> | - | - | - |
| Total Capital Contributions | <u>9,215,524</u> | <u>2,372,258</u> | <u>472,134</u> | <u>551,227</u> | <u>122,653</u> |
| Change in Net Assets | <u>11,496,059</u> | <u>8,985,400</u> | <u>9,012,908</u> | <u>5,909,139</u> | <u>2,777,416</u> |
| Net Assets – Beginning of Year | <u>59,872,665</u> | <u>50,887,265</u> | <u>41,874,357</u> | <u>35,965,218</u> | <u>33,187,802</u> |
| Net Assets – End of Year | <u>\$71,368,724</u> | <u>\$59,872,665</u> | <u>\$50,887,265</u> | <u>\$41,874,357</u> | <u>\$35,965,218</u> |

(Source: The District's 2004–2008 audited financial statements. This summary has not been audited.)

JORDANELLE SPECIAL SERVICE DISTRICT

Statement of Net Assets

(For the years ended December 31)

(This summary has not been audited.)

| | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Assets | | | | | |
| Current Assets | | | | | |
| Cash and cash equivalents | \$1,647,422 | – | \$1,068,742 | \$1,437,762 | \$263,963 |
| Receivables, net | | | | | |
| Accounts receivable | 3,673,549 | \$2,819,173 | 1,756,124 | 973,087 | 1,957,829 |
| Accrued interest receivable | 16,590 | 128,687 | 53,640 | 107,398 | 17,150 |
| Feasibility study receivable | – | 208 | 208 | 208 | 52,515 |
| Current portion special assessment receivable | 3,000,345 | 1,931,908 | 370,789 | 386,943 | 371,927 |
| Other current assets | <u>85,528</u> | <u>85,320</u> | <u>15,800</u> | <u>–</u> | <u>–</u> |
| Total Current Assets | <u>8,423,434</u> | <u>4,965,296</u> | <u>3,265,303</u> | <u>2,905,398</u> | <u>2,663,384</u> |
| Noncurrent Assets | | | | | |
| Restricted Assets | | | | | |
| Cash and cash equivalents | 11,530,077 | 31,714,082 | 14,353,909 | 15,188,919 | 8,611,817 |
| Prepaid expenses | – | 85,320 | 170,640 | – | – |
| Special assessment receivable | 19,511,629 | 25,987,000 | 33,359,000 | 42,430,000 | 29,842,000 |
| Capital Assets: | | | | | |
| Land, water rights, construction in progress | 56,110,035 | 59,805,308 | 42,913,785 | 36,214,903 | 24,321,216 |
| Depreciable buildings and equipment, net | 68,836,440 | 41,953,943 | 41,348,649 | 40,359,313 | 41,430,233 |
| Bond issuance cost, net | 1,308,674 | <u>1,617,016</u> | <u>1,410,398</u> | <u>1,456,279</u> | <u>550,220</u> |
| Total noncurrent assets | <u>157,296,855</u> | <u>161,162,669</u> | <u>133,556,381</u> | <u>135,649,414</u> | <u>104,755,486</u> |
| Total Assets | <u>165,720,289</u> | <u>166,127,965</u> | <u>136,821,684</u> | <u>138,554,812</u> | <u>107,418,870</u> |
| Liabilities | | | | | |
| Current Liabilities | | | | | |
| Accounts payable | 1,286,168 | 1,106,375 | 1,350,080 | 759,922 | 184,337 |
| Accrued payroll and related liabilities | 15,115 | 64,459 | 46,974 | 43,468 | 35,132 |
| Accrued interest payable | 1,640,027 | 1,527,957 | 1,481,575 | 542,730 | 1,906,079 |
| Feasibility study escrow | 48,452 | 378,188 | 197,347 | 106,656 | 106,656 |
| Payable – other governmental unit | 265,901 | 271,492 | 224,035 | – | – |
| Deferred revenue | 1,023,989 | 987,490 | 952,394 | 918,648 | 868,582 |
| Current portion notes/ certificates available | 28,620,490 | 143,000 | 194,000 | 186,000 | 179,000 |
| Current portion bonds payable | 5,262,000 | 5,054,000 | 4,874,000 | 4,869,000 | 4,006,000 |
| Current portion deferred special assessment | <u>3,000,345</u> | <u>1,931,908</u> | <u>370,789</u> | <u>386,943</u> | <u>371,927</u> |
| Total current liabilities (payable from current assets) | <u>41,162,487</u> | <u>11,464,869</u> | <u>9,691,194</u> | <u>7,813,367</u> | <u>7,657,713</u> |
| Noncurrent Liabilities | | | | | |
| Customer Deposits | 16,000 | 16,000 | 9,000 | 5,000 | 5,000 |
| Compensated absences | 182,905 | 142,448 | 99,921 | 87,088 | 69,939 |
| Deferred revenue | 999,544 | 995,493 | 335,000 | 385,000 | – |
| Interim warrants | – | – | 5,745,304 | – | – |
| Notes payable | 13,042,000 | 38,470,490 | – | – | – |
| Certificates of participation payable | – | 3,192,000 | 3,336,000 | 3,530,000 | 4,037,000 |
| Special assessment bonds payable | 19,437,000 | 25,987,000 | 33,359,000 | 42,430,000 | 29,842,000 |
| Deferred special assessment revenue | <u>19,511,629</u> | <u>25,987,000</u> | <u>33,359,000</u> | <u>42,430,000</u> | <u>29,842,000</u> |
| Total noncurrent liabilities | <u>53,189,078</u> | <u>94,790,431</u> | <u>76,243,225</u> | <u>88,867,088</u> | <u>63,795,939</u> |
| Total liabilities | <u>94,351,565</u> | <u>106,255,300</u> | <u>85,934,419</u> | <u>96,680,455</u> | <u>71,453,652</u> |
| Equity | | | | | |
| Investment in capital assets net of related debt | 62,845,183 | 34,805,254 | 45,866,066 | 31,156,759 | 33,202,059 |
| Restricted net assets | | | | | |
| Capital projects | – | 599,253 | 404,474 | – | – |
| Prepaid items | 285,000 | 335,000 | 385,000 | – | – |
| Debt Service | 6,984,901 | 28,914,658 | 5,862,896 | 4,541,019 | 3,647,428 |
| Unrestricted net assets (deficit) | <u>1,253,640</u> | <u>(4,781,500)</u> | <u>(1,631,171)</u> | <u>6,176,579</u> | <u>(884,269)</u> |
| Total Net Assets | <u>\$71,368,724</u> | <u>\$59,872,665</u> | <u>\$50,887,265</u> | <u>\$41,874,357</u> | <u>\$35,965,218</u> |

(Source: The District's 2004–2008 audited financial statements. This summary has not been audited.)

DEBT STRUCTURE OF THE DISTRICT

Current Outstanding Debt of the District

The Outstanding obligations of the District as of June 30, 2009, are identified in the following tables.

Outstanding Special Assessment Bonds

| <u>Series</u> | <u>Purpose</u> | <u>Original Amount</u> | <u>Final Maturity Date</u> |
|---------------|----------------------------|------------------------|----------------------------|
| 1999A | Sewer Improvements | \$2,736,000 | October 1, 2010 |
| 1999B | Sewer Improvements | 1,153,000 | October 1, 2010 |
| 2000A | Sewer & Water Improvements | 11,600,000 | October 1, 2011 |
| 2005 | Tuhaye Infrastructure | 20,690,000 | September 1, 2026 |
| 2005A&B | Refunding | 15,670,000 | January 1, 2012 |
| 2009 | Refunding | <u>40,850,000</u> | August 1, 2030 |
| Total | | \$92,699,000 | |

⁽¹⁾ For purposes of this Private Placement Memorandum, the Series 2009 Bonds are considered issued and outstanding and the Series 2009 Notes retired.

Outstanding Certificates of Participation and Bond Anticipation Notes

| <u>Series</u> | <u>Purpose</u> | <u>Original Amount</u> | <u>Final Maturity Date</u> |
|---------------|-------------------------|------------------------|----------------------------|
| 2003 | Water Rights (Mt. View) | \$3,853,000 | May 15, 2024 |

Other Financial Considerations

The District has entered into various other agreements to provide and secure the services for which it was created. See “APPENDIX B—AUDITED BASIC FINANCIAL STATEMENTS OF JORDANELLE SPECIAL SERVICE DISTRICT FOR THE YEAR ENDED JUNE 30, 2008—Notes to the Financial Statements—Note 11—Related Parties” herein.

NO RATING

The District has not made, and does not contemplate making, application to any rating agency for the assignment of a rating to the Series 2009 Bonds.

LITIGATION

District. A non-litigation certificate issued by Dan Matthews, Esq., as counsel to the District, dated the date of closing, will be provided stating, among other things, that there is no action, suit, proceeding, inquiry, or any other litigation or investigation at law or in equity, before or by any court, public board or body, which is pending or threatened, challenging the creation, organization or existence of the District or the Assessment Area, or the titles of its officers to their respective offices; or seeking to restrain or enjoin the issuance, sale or delivery of the Series 2009 Bonds; or directly or indirectly contesting or affecting the proceedings or the authority by which the Series 2009 Bonds are issued, or the validity of the Series 2009 Bonds or the issuance thereof, or the ability to levy the Assessments.

APPROVAL OF LEGALITY

Legal matters incident to the authorization and issuance of the Series 2009 Bonds are subject to the approving opinion of Ballard Spahr Andrews & Ingersoll, LLP, Salt Lake City, Utah, Bond Counsel to the District. The expected form of the opinion to be issued by Bond Counsel is attached to this Private Placement Memorandum as APPENDIX E. Certain legal matters will be passed upon for the District by Dan Matthews, Esq., Heber, Utah.

TAX MATTERS

Federal Income Tax

Excludability of Interest. In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Bond Counsel to the District, interest on the Series 2009 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 2009 Bonds, assuming the accuracy of the certifications of the District and continuing compliance by the District with the requirements of the Internal Revenue Code of 1986 (the “Code”). Interest on the Series 2009 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.

No Further Opinion. Bond Counsel expresses no opinion regarding other federal tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the Series 2009 Bonds.

State of Utah Income Tax

Bond Counsel is also of the opinion that interest on the Series 2009 Bonds is exempt from State of Utah individual income taxes under currently existing law.

FINANCIAL ADVISOR

The District has entered into an agreement with Zions Bank Public Finance (the “Financial Advisor”), whereunder the Financial Advisor provides financial recommendations and guidance to the District with respect to preparation for sale of the Series 2009 Bonds, timing of sale, tax-exempt bond market conditions, costs of issuance and other factors related to the sale of the Series 2009 Bonds. The Financial Advisor has read and participated in the review of certain portions of this Private Placement Memorandum. The Financial Advisor has not audited, authenticated or otherwise verified the information set forth in this Private Placement Memorandum, or any other related information available to the District, with respect to accuracy and completeness of disclosure of such information, and the Financial Advisor makes no guaranty, warranty or other representation respecting accuracy and completeness of this Private Placement Memorandum or any other matter related to this Private Placement Memorandum.

CONTINUING DISCLOSURE

Because the Series 2009 Bonds are initially issued in denominations of at least \$100,000 and are sold to no more than thirty-five persons each of whom has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the prospective investment, the Series 2009 Bonds are currently exempt from the continuing disclosure requirements of Rule 15c2-12.

However, the District shall provide to the Bondholders the following continuing disclosure information:

- (a) Within 45 days after the last day of each March, June, September, and December,
 - (i) General information regarding the Series 2009 Bonds, including the date of issue and the total principal amount of Series 2009 Bonds outstanding at the end of such calendar quarter.
 - (ii) Fund balances at quarter end of all funds established by the Trustee under the Indenture.
 - (iii) The most recent taxable value as determined by the Wasatch County Assessor of all properties on which there is an outstanding Assessment.
 - (iv) Assessment collection information at quarter end, including total outstanding Assessments, total delinquent Assessments, total delinquent Assessments for which foreclosure proceedings have been initiated.

(v) The occurrence of any material event which may have an adverse impact on the ability of the District to levy and collect Assessments, or otherwise affects the credit worthiness of the Series 2009 Bonds.

(vi) A list of all current property owners of property on which there is an outstanding Assessment.

(b) Within 180 days after the end of each calendar year, the audited financial statements of the District.

MISCELLANEOUS

To the extent that any statements made in this Private Placement Memorandum involve matters of opinion, forecasts, projections or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty and no representation is made that any of these statements have been or will be realized. Information in this Private Placement Memorandum has been derived from the District and other sources believed to be reliable.

The statements relating to the Indenture are in summarized form, and in all respects are subject to and qualified in their entirety by the provisions of such document in its complete form, copies of which are available from the Trustee prior to the delivery of the Series 2009 Bonds. The obligations of the District are set forth in the Indenture and the information herein is not to be construed as a contract with the purchasers or owners of any of the Series 2009 Bonds.

APPENDIX A

FORM OF SOPHISTICATED INVESTOR LETTER

Jordanelle Special Service District
10420 North Jordanelle Boulevard, Suite A
Heber City, Utah 84032

Zions First National Bank
One South Main Street, 12th Floor
Salt Lake City, Utah 84133

Re: Jordanelle Special Service District, Wasatch County, Utah Special Assessment Bonds,
Series 2009A, Series 2009B and Series 2009C

Ladies and Gentlemen:

The undersigned (the "Investor") hereby represents and warrants to you as follows:

1. The investor proposes to purchase one of the Series of the above-referenced Bonds issued pursuant to that certain Indenture of Trust and Pledge, dated as of August 1, 2009 (the "Indenture"), between the Jordanelle Special Service District (the "Issuer") and Zions First National Bank, N.A., as trustee. The Investor understands that the Bonds have not been registered under the Securities Act of 1933, as amended (the "1933 Act"), or the securities laws of any state, and will be sold to the Investor in reliance upon certain exemptions from registration and in reliance upon the registrations and warranties of the Investor set forth herein.

2. The Investor has sufficient knowledge and experience in business and financial matters in general, and investments such as the Bonds in particular, and is capable of evaluating the merits and risks involved in an investment in the Bonds. The Investor is able to bear the economic risk of, and an entire loss of, an investment in the Bonds. In the normal course of the Investor's business, the Investor invests in and purchases securities (including restricted securities) similar in investment character to the Bonds.

3. The Investor is not acting as a broker or other intermediary, and is purchasing the Bonds as an investment for its own account and not with a present view to a resale or other distribution to the public. In the event that the undersigned resells or otherwise disposes of the Bonds or any portion thereof, such resale or other disposition shall comply with all then applicable laws and the Indenture; shall be done in a manner not constituting a so-called "public offering"; and the subsequent purchaser of the Bonds shall be an "accredited investor" within the meaning of Regulation D promulgated under the 1933 Act or a "qualified institutional buyer" within the meaning of Rule 144A promulgated under the 1933 Act.

4. The Investor acknowledges that it has had access to such financial and other information, and has been afforded the opportunity to ask such questions of representatives of the Issuer and receive answers thereto, as the Investor deems necessary in order to evaluate the merits and risks involved in an investment in the Bonds.

5. The Investor hereby acknowledges that it is an "accredited investor" within the meaning of Regulation D promulgated under the 1933 Act or a "qualified institutional buyer" within the meaning of Rule 144A promulgated under the 1993 Act.

7. The Investor is purchasing the Bonds at par.

Very truly yours,

Dated: As of _____, 20____

APPENDIX B

**AUDITED BASIC FINANCIAL STATEMENTS OF JORDANELLE SPECIAL SERVICE DISTRICT FOR
THE YEAR ENDED JUNE 30, 2008**

APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING WASATCH COUNTY

General

Wasatch County encompasses approximately 1,177 square miles in north central Utah. Heber City is the County seat. Other population centers of the County include Park City and Kamas. The County is widely known for its resorts and year-round outdoor recreational opportunities. The County has three large reservoirs, an historic railroad, and the 2002 Winter Olympic cross-country and biathlon venue of Soldier Hollow. The following demographic information is provided solely as background information regarding the County.

Population

| <u>Year</u> | <u>County</u> | <u>% Increase</u> | <u>State of Utah</u> | <u>% Increase</u> |
|-------------|---------------|-------------------|----------------------|-------------------|
| 2008 | 22,845 | 4.10% | 2,757,779 | 2.20% |
| 2007 | 21,951 | 4.20 | 2,645,330 | 3.20 |
| 2006 | 21,053 | 5.20 | 2,615,129 | 2.67 |
| 2005 | 19,999 | 4.30 | 2,547,389 | 3.17 |
| 2004 | 19,177 | 3.60 | 2,459,230 | 2.30 |
| 2003 | 18,515 | 5.90 | 2,413,618 | 2.34 |
| 2002 | 17,476 | 7.40 | 2,358,330 | 2.28 |

(Source: Utah Population Estimates Committee.)

Economic Indicators

LABOR FORCE

| | <u>2007^(P)</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|----------------------------|---------------------------|-------------|-------------|-------------|-------------|
| Labor force | 10,740 | 10,137 | 9,338 | 8,913 | 8,538 |
| Employed | 10,451 | 9,818 | 8,945 | 8,413 | 8,015 |
| Unemployed | 288 | 320 | 393 | 483 | 523 |
| Rate | 2.7 | 3.2 | 4.2 | 5.4 | 6.1 |
| Nonfarm jobs | 7,105 | 6,485 | 5,744 | 5,274 | 5,031 |
| <i>% Change prior year</i> | 9.6 | 12.9 | 8.9 | 4.8 | 3.2 |
| Mining | 71 | 80 | 45 | 22 | 19 |
| Construction | 1,238 | 1,137 | 935 | 768 | 635 |
| Manufacturing | 214 | 216 | 268 | 261 | 304 |
| Trade/trans/utilities | 1,525 | 1,260 | 1,042 | 882 | 833 |
| Information | 109 | 127 | 89 | 58 | 59 |
| Financial activities | 291 | 276 | 257 | 248 | 225 |
| Profess/business services | 488 | 436 | 460 | 484 | 405 |
| Ed/Health/social services | 467 | 480 | 416 | 411 | 410 |
| Leisure/hospitality | 1,342 | 1,196 | 1,005 | 936 | 917 |
| Other services | 143 | 115 | 102 | 105 | 105 |
| Government | 1,218 | 1,162 | 1,125 | 1,099 | 1,120 |
| Total establishments | 848 | 826 | 744 | 669 | 622 |
| Total wages (\$Millions) | 222.6 | 180.3 | 152.4 | 135.7 | 126.4 |

INCOME AND WAGES

| | <u>2007</u> ^(p) | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|--|----------------------------|-------------|-------------|-------------|-------------|
| Gross taxable sales (\$000s) | 318,425 | 274,305 | 226,488 | 190,081 | 184,211 |
| Permit authorized construction (\$000s) | 172,034 | 205,702 | 175,024 | 83,963 | 76,524 |
| New residential building permits | 431 | 625 | 511 | 319 | 265 |
| Residential Build Permits Value (\$000s) | 146,973 | 188,632 | 134,331 | 70,903 | 61,453 |

SALES AND BUILDING

| | <u>2007</u> ^(p) | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|--|----------------------------|-------------|-------------|-------------|-------------|
| Total personal income (\$millions) | 580.2 | 511.6 | 461.2 | 416.3 | 379.1 |
| Per capita income | 26,432 | 25,676 | 24,553 | 23,296 | 21,770 |
| Average family income from IRS returns | N/A | 71,556 | 63,068 | 57,369 | 53,597 |
| Average monthly nonfarm wage | 2,611 | 2,317 | 2,212 | 2,145 | 2,093 |

^(p) Preliminary; subject to change.

(Source: Utah Department of Workforce Services; last updated August 2008.)

Business and Industry within the County

| <u>Company</u> | <u>Industry</u> | <u>Employment</u> |
|-----------------------------------|------------------------------|-------------------|
| Wasatch School District | Public Education | 500-999 |
| Zermatt Resort | Accommodations/Resort | 250-499 |
| Wasatch County | Local Government | 100-249 |
| Homestead Resort | Accommodations/Resort | 100-249 |
| RMD Management | Residential Construction | 100-249 |
| Heber Valley Medical Center | Health Care | 100-249 |
| D Brothers | Grocery Store | 100-249 |
| Smith's | Grocery Store | 100-249 |
| State of Utah | State Government | 100-249 |
| Swiss Alps Inn/Dairy Keen | Accommodations/Restaurant | 50-99 |
| JP Cabinets | Finish Carpentry Contractors | 50-99 |
| McDonald's | Fast Food Restaurant | 50-99 |
| Heber City | Local Government | 50-99 |
| Diversified Business & Accounting | Accounting Services | 50-99 |
| Heber Valley Historic Railroad | Scenic Train Transportation | 50-99 |
| Inn on the Creek Foods | Accommodations/Resort | 50-99 |

(Source: Utah Department of Workforce Services, Workforce Information; last updated June 2009. Based on Average Annual Employment 2008.)

Education

The County is served by the Wasatch County School District, which consists of four elementary schools, a middle school, junior high, high school and alternative high school.

Medical Service

The Heber Valley Medical Center, located in Heber City, provides local medical and hospital services. Comprehensive and specialty medical services are widely available in Salt Lake City, including the Huntsman Cancer Institute, a nationally recognized research and treatment facility.

Transportation

Heber Valley Airport. Heber Valley Airport is located two miles from the center of Heber City. Primary use of the airport is by small single and multi-engine planes with minimal use by large multi-engine aircraft or helicopters. Heber Valley Airport is a Class B-2 utility airport with an asphalt runway 75 feet wide and 6900 feet in length. Runway lighting, a rotating beacon, a parallel taxiway, turnarounds and aircraft parking are provided.

Salt Lake City International Airport. The Salt Lake City International Airport is located approximately 43 miles from Heber City and is the main venue providing domestic and international flights to the State.

Municipal Services and Utilities

Utilities are provided by Heber Light & Power, Questar Gas, and Wasatch County Solid Waste.

Tourism and Recreation

The County offers outstanding year-round outdoor recreation including golf, fly fishing, boating and water sports, skiing and other winter sports. In summer, temperatures are usually cool and pleasant. In winter, abundant snowfall makes this a paradise for winter recreation. Several outstanding resorts and romantic bed and breakfast inns are located here. This area offers winter and summer recreational activities.

Wasatch Mountain State Park – This park is a summer and winter wonderland, offering a 36-hole golf course, camping, picnicking, hiking, horseback riding and cross country skiing.

Soldier Hollow – This 2002 Olympic venue now offers a 36-hole golf course for summer play plus world-class cross country ski trails, with sections designed for enthusiasts of all skill levels - from novice up to Olympic athlete. Other winter sports are also popular here.

Fishing – There is excellent fly fishing on the Provo and other nearby rivers, and excellent fishing on Strawberry, Deer Creek and Jordanelle reservoirs and other small waters. Winter ice fishing is very popular in this area.

Water Sports – Boating, water skiing, jet skiing and sailing are very popular on Deer Creek and Jordanelle reservoirs.

Uinta Mountains – Heber City is the gateway to the High Uintas, the highest mountains in Utah. The Uintas are home to hundreds of small lakes and streams, a lush forest and numerous campgrounds. The area is a choice location for hiking, backpacking, camping and fishing.

Heber Valley Railroad – The historic Heber Valley Railroad operates a turn-of-the-century steam engine that departs from Heber City and Vivian Park in Provo Canyon on regularly scheduled tours year-round.

Scenic Highways and Byways – Scenic roads extend in all directions. The Mirror Lake Scenic Byway (Hwy 150) into the Uinta Mountains is the most famous. The Alpine Loop and Cascade Springs roads are also popular, along with Hwy 189 through Provo Canyon and Hwy 40 through the Strawberry area. The Wolf Creek Pass road is a less known and very scenic drive.

Aero Activities – Sailplaning has become a popular activity in Heber Valley and gliders are a common sight in the sky. Combined with the valley's scenic beauty, the high elevation and arid climate heat the ground to create thermals for prime soaring conditions. Hot air ballooning is also popular in the Heber Valley.

Resorts and B&Bs – Some of Utah's best resorts and B&Bs are located in the Heber area, including The Homestead, The Blue Boar Inn, Inn on the Creek, Zermatt, and Daniels Summit Lodge.

APPENDIX D
FORM OF INDENTURE

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

Upon the issuance of the Series 2009 Bonds, Ballard Spahr Andrews & Ingersoll, LLP, Bond Counsel to the District, proposes to issue its approving opinion in substantially the following form:

We have acted as bond counsel for Jordanelle Special Service District, Utah (the "Issuer") in connection with the issuance by the Issuer of \$_____ Special Assessment Bonds (Special Improvement District No. 2005-2) Series 2009A (the "Series 2009A Bonds"); \$_____ Special Assessment Bonds (Special Improvement District No. 2005-2) Series 2009B (the "Series 2009B Bonds"); and \$_____ Special Assessment Bonds (Special Improvement District No. 2005-2) Series 2009C (the "Series 2009C Bonds" and together with the Series 2009A Bonds and the Series 2009B Bonds, the "Bonds"). The Bonds are being issued pursuant to (i) a resolution adopted by the Issuer on _____, 2009 (the "Resolution"), (ii) an Indenture of Trust and Pledge dated as of August 1, 2009 (the "Indenture") between the Issuer and Zions First National Bank, N.A., as trustee, and (iii) the Assessment Area Act, Title 11, Chapter 42, Utah Code Annotated 1953, as amended (the "Act"). The Bonds are payable solely from (a) the levy of assessments against the properties benefited by the Improvements pursuant to an Assessment Ordinance adopted by the Issuer, as amended (the "Assessment Ordinance"), and (b) cash received by the Issuer from the payment of Improvements (as defined in the Indenture).

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 Issuer is a body politic and corporate and a municipal public corporation duly organized and validly existing under the laws of the State.
2. The Special Improvement District No. 2005-2 is validly created under the Act.
3. The Indenture has been duly executed and delivered by the Issuer and constitutes a valid and binding obligation of the Issuer.
4. The Bonds are special limited obligations of the Issuer, payable solely from (i) the levy of assessments against the properties benefited by the Improvements, and (ii) cash received by the District from the payment of Improvements.
5. Interest on the 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 Bonds, assuming the accuracy of the certifications of the Issuer and continuing compliance by the Issuer with the requirements of the Internal Revenue Code of 1986 (the "Code"). Interest on the 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.
6. 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 Assessment Ordinance and the Indenture 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 exercise of judicial discretion in appropriate cases;

(b) We express no opinion herein as to the accuracy, adequacy, or completeness of the Private Placement Memorandum, or any other offering materials relating to the Bonds; and

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

Respectfully submitted,

APPENDIX F

PROVISIONS REGARDING BOOK-ENTRY SYSTEM

DTC will act as securities depository for the Series 2009 Bonds. The Series 2009 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Series 2009 Bonds, each 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, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2009 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2009 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 2009 Bonds, except in the event that use of the book-entry system for the Series 2009 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2009 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 2009 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2009 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2009 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 2009 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2009 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Series 2009 Bonds may wish to ascertain that the nominee holding the Series 2009 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2009 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2009 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 District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or

voting rights to those Direct Participants to whose accounts Series 2009 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2009 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 District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2009 Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

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