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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION
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Arizona Corporation Commission
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NOV -9 2010
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Commissioner
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Commissioner
PAUL NEWMAN
Commissioner
BOB STUMP
Commissioner

IN THE MATTER OF THE APPLICATION OF SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT FOR AN ORDER AUTHORIZING ITS ISSUANCE OF REVENUE BONDS AND REFUNDING REVENUE BONDS	DOCKET NO. E-02217A-08-0159, DECISION NO. 70611 **NOTICE OF SALE OF REVENUE BONDS (2010 SERIES A AND B)**

TO THE HONORABLE ARIZONA CORPORATION COMMISSION:

On October 7, 2010, Salt River Project Agricultural Improvement and Power District (the "District") issued $500,000,000 of its Salt River Project Electric System Revenue Bonds, 2010 Series A (Federally Taxable – Direct Payment – Build America Bonds) and $216,785,000 of its Salt River Project Electric System Revenue Bonds, 2010 Series B. Authority for the $500,000,000 2010 Series A Bonds was derived from Decision No. 70611 of the Arizona Corporation Commission (the "Commission"), dated November 19, 2008 in Docket No. E-02217A-08-0159, authorizing the District to issue additional Revenue Bonds in an amount not to exceed $1.9 billion for construction purposes, among other things, as described therein. Authority for the $216,785,000 2010 Series B Bonds was derived from Decision No. 58625 of the Commission, dated May 2, 1994 in Docket No. U-2217-94-0012, authorizing the District to issue additional Revenue Bonds in an amount not to exceed $2.3 billion to refund outstanding Revenue Bonds, as described therein. Docket No. U-2217-94-0012 has been closed, so compliance filings attributable to this docket are being filed under E-02217A-08-0159. A breakout of the Bonds issued pursuant to these two Decisions is attached as Exhibit 1. The District has no plans to issue any additional Revenue Bonds in the next 12 months.

Decision Nos. 70611 and 58625 require that the District file with the Commission certain documents and information after issuance of any of the Revenue Bonds authorized thereby. In accordance with such orders, the District hereby submits the following documents in connection with its sale of the 2010 Series A and B Bonds:

1. Certified copies of the September 13, 2010 and October 1, 2010 resolutions of the Board of Directors of the District authorizing the sale of the 2010 Series A and B Bonds (Exhibit 2);

2. Certified copies of the September 14, 2010 and October 1, 2010 resolutions of the Council of the District ratifying and confirming the sale of the 2010 Series A and B Bonds (Exhibit 3);

3. A copy of the Official Statement, dated September 30, 2010, distributed in connection with the marketing and sale of the 2010 Series A and B Bonds (Exhibit 4); and

4. A copy of the Report of the Independent Financial Advisor and Post-Pricing Book, dated October 22, 2010, prepared by The PFM Group showing that the bonds were issued at competitive market rates (Exhibit 5).

These documents include explanations and summaries of the transaction as well as details on the date of issuance, interest rates, maturities, amount of discount or premium, issuance expenses, and other pertinent information.

RESPECTFULLY submitted this 9th day of November 2010.

SALT RIVER PROJECT AGRICULTURAL
IMPROVEMENT AND POWER DISTRICT

W. Gary Hull
Salt River Project
P.O. Box 52025, PAB207
Phoenix, AZ 85072-2025

Telephone: (602) 236-3277
Attorney for Applicant

By _____
W. Gary Hull

The original and 13 copies hand delivered
this __ day of November 2010, to:

Docket Control
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Phoenix, AZ 85007

With copies to:

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1200 W. Washington St.
Phoenix, AZ 85007

By _____

LIST OF EXHIBITS

EXHIBIT 1	**ATTRIBUTION OF 2010 SERIES A AND B BONDS TO PRIOR DECISIONS OF THE COMMISSION**
EXHIBIT 2	**RESOLUTIONS OF THE DISTRICT'S BOARD OF DIRECTORS (September 13 and October 1, 2010)**
EXHIBIT 3	**RESOLUTIONS OF THE DISTRICT'S COUNCIL (September 14 and October 1, 2010)**
EXHIBIT 4	**OFFICIAL STATEMENT FOR THE 2010 SERIES A AND B BONDS**
EXHIBIT 5	**REPORT OF INDEPENDENT FINANCIAL ADVISOR**

EXHIBIT 1

ATTRIBUTION OF 2010 SERIES A AND B BONDS TO PRIOR DECISIONS OF THE COMMISSION

Commission Decision No.	Revenue Bonds Authorized	Previously Issued Bonds	2010 Series A Bonds	Remaining Authorization
70611	$1,900,000,000	$266,425,290	$500,000,000	$1,133,574,710

Commission Decision No.	Refunding Revenue Bonds Authorized	Previously Issued Bonds	2010 Series B Bonds	Remaining Authorization
58625	$2,300,000,000	$988,958,778	$216,785,000	$1,094,256,222

CERTIFICATE

I, TERRILL A. LONON, the duly appointed, qualified, and acting Corporate Secretary of the Salt River Project Agricultural Improvement and Power District (the District) a special district under Title 48 of the Arizona Revised Statutes, DO HEREBY CERTIFY that attached hereto is a true and correct copy of a resolution entitled: "**RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED $500,000,000 SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2010 SERIES A AND NOT TO EXCEED $750,000,000 SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2010 SERIES B OF THE SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, AND PROVIDING FOR THE FORM, DETAILS AND TERMS THEREOF**" as adopted by a majority of the SRP Board of Directors at a meeting held on September 13, 2010, at which a quorum was present and voted, and that no change, revision, amendment, or addendum has been made subsequent thereto.

IN WITNESS WHEREOF, I have set my hand and seal of the Salt River Project Agricultural Improvement and Power District, this 21st day of October 2010.

SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT
MARICOPA COUNTY
SEAL
ARIZONA

Terrill A. Lonon
Corporate Secretary

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED $500,000,000 SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2010 SERIES A AND NOT TO EXCEED $750,000,000 SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2010 SERIES B OF THE SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, AND PROVIDING FOR THE FORM, DETAILS AND TERMS THEREOF

WHEREAS, the members of the Board of Directors (the "Board of Directors") of the Salt River Project Agricultural Improvement and Power District (the "District"), by resolution entitled "Supplemental Resolution Dated September 10, 2001 Authorizing an Amended and Restated Resolution Concerning Revenue Bonds," which became effective January 11, 2003, as amended and supplemented (the "Resolution"), have created and established an issue of Salt River Project Electric System Revenue Bonds (the "Bonds"), which may be authorized from time to time pursuant to Series Resolutions; and

WHEREAS, the Board of Directors has determined that it would be in the best interest of the District to issue (i) not to exceed $500,000,000 2010 Series A Bonds (Federally Taxable – Direct Payment – Build America Bonds) (the "2010 Series A Bonds") and (ii) not to exceed $750,000,000 2010 Series B Bonds, which will be issued as tax-exempt bonds (the "2010 Series B Bonds," and together with the 2010 Series A Bonds, the "2010 Series Bonds") to (A) finance the costs of acquisition and construction of various capital improvements and additions to the District's Electric System, (B) refund certain of the District's outstanding Revenue Bonds and (C) pay certain costs of issuance of the 2010 Series Bonds; and

WHEREAS, the District's Financial Consultant, Public Financial Management, Inc. (hereafter referred to as the "Financial Consultant"), has advised the District that substantial financial benefits will accrue to the District upon the refunding of the Bonds To Be Refunded (as defined in Section 2 hereof); and

WHEREAS, the Arizona Corporation Commission (the "Commission") has approved by its Opinions and Orders described in **Exhibits A-1 and A-2** hereto the issuance by the District of its Revenue Bonds (as defined in the Resolution) in amounts sufficient for the issuance of the 2010 Series Bonds; and

WHEREAS, the Board of Directors has determined to use the authorization applicable to the Commission's Opinions and Orders described in **Exhibit A-1** hereto to issue the 2010 Series A Bonds and to use the proceeds thereof to (i) finance some or all of said capital improvements and additions to its Electric System and (ii) pay certain costs of issuance of the 2010 Series A Bonds; and

WHEREAS, the Board of Directors has determined to use the authorization applicable to the Commission's Opinions and Orders described in **Exhibit A-2**

hereto to issue the 2010 Series B Bonds and to use the proceeds of the 2010 Series B Bonds to (i) finance some or all of said capital improvements and additions to its Electric System, (ii) refund the Bonds To Be Refunded and (iii) pay certain costs of issuance of the 2010 Series B Bonds; and

WHEREAS, the Board of Directors desires to sell the 2010 Series Bonds by private sale to a group of purchasers represented by and including Morgan Stanley & Co. Incorporated, J.P. Morgan Securities Inc., Bank of America Merrill Lynch, Citi, Goldman, Sachs & Co. and Ramirez & Co., Inc. (hereinafter collectively referred to as the "Purchasers") to provide moneys to carry out the aforesaid purposes of the District; and

WHEREAS, Title 48, Chapter 17, Article 7, of the Arizona Revised Statutes requires that the private sale of Bonds be subject to prior approval by a majority of the members of the Council of the District and that no Bonds be issued unless the Council, by resolution adopted by an affirmative vote of a majority of its members, ratifies and confirms the amount of the Bonds authorized to be issued by the Board of Directors (together the "Council Approval and Ratification Requirement"); and

WHEREAS, the Board of Directors desires to approve the preparation, distribution, publication and execution, as the case may be, of a Preliminary Official Statement, a Purchase Contract and an Official Statement for the 2010 Series Bonds; and

WHEREAS, the Board of Directors desires to authorize the proper officers and employees of the District to take all necessary steps to complete the issuance, sale and delivery as aforesaid of (i) not to exceed $500,000,000 2010 Series A Bonds and (ii) not to exceed $750,000,000 2010 Series B Bonds; and

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT AS FOLLOWS:

SECTION 1. Series Resolution. This Series Resolution (hereinafter referred to as "Resolution Authorizing the Issuance and Sale of Not to Exceed $500,000,000 2010 Series A Bonds and Not to Exceed $750,000,000 2010 Series B Bonds" or as "2010 Series Resolution") is adopted in accordance with the provisions of the Resolution and pursuant to the authority contained in Title 48, Chapter 17 of the Arizona Revised Statutes, as amended.

SECTION 2. Definitions. This 2010 Series Resolution and the Resolution are herein collectively referred to as the "Resolutions." All terms which are defined in the Resolution shall have the same meanings, respectively, in this 2010 Series Resolution, as such terms are given in the Resolution. In this 2010 Series Resolution:

"Authorized Representative" shall mean any of the President, the Vice President, the General Manager, the Associate General Manager, Commercial & Customer Services and Chief Financial Executive, Manager of Financial Services, and the Corporate Treasurer or any Assistant Corporate Treasurer of the District (collectively, the "Authorized Representatives").

"Bonds To Be Refunded" shall mean the Refunded 1997 Series A Bonds, the Refunded 2002 Series A Bonds, the Refunded 2002 Series B Bonds and the Refunded 2004 Series A Bonds, all as described in **Exhibit B** hereto.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

"DTC" shall mean The Depository Trust Company or any successor thereto.

"Escrow Deposit Agreement" shall mean the Letter of Instructions and Escrow Deposit Agreement As To Payment Of Refunded Bonds, attached as **Exhibit C** hereto and authorized by Section 15 hereof, relating to the Bonds To Be Refunded.

"Information Services" shall mean Financial Information, Inc.'s Daily Called Bond Service, 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302; Kenny Information Service's Called Bond Service, 65 Broadway, 16th Floor, New York, New York 10006; Moody's Municipal and Government, 99 Church Street, 8th Floor, New York, New York 10007, attention: Municipal News Report; and Standard & Poor's Called Bond Record, 25 Broadway, New York, New York 10004; or to such other addresses and/or such other national information services providing information or disseminating notices of redemption of obligations similar to the 2010 Series Bonds.

"Interest Payment Date" shall mean each January 1 and July 1 of each year so long as 2010 Series Bonds are Outstanding, commencing January 1, 2011.

"2010 Series A Bonds" shall mean the Bonds authorized by Section 3 hereof.

"2010 Series B Bonds" shall mean the Bonds authorized by Section 3 hereof.

"2010 Series Bonds" shall mean, collectively, the 2010 Series A Bonds and the 2010 Series B Bonds.
"Refunded 1997 Series A Bonds" shall mean the Outstanding Electric System Revenue Bonds, 1997 Series A of the District maturing in the years 2018 and 2020, as described in **Exhibit B** hereto.

"Refunded 2002 Series A Bonds" shall mean the Outstanding Electric System Revenue Bonds, 2002 Series A of the District maturing in the years 2014 through 2023, 2027 and 2031, as described in **Exhibit B** hereto.

"Refunded 2002 Series B Bonds" shall mean the Outstanding Electric System Revenue Bonds, 2002 Series B of the District maturing in the years 2017, 2020 through 2022, 2024 through 2026 and 2031, as described in **Exhibit B** hereto.

"Refunded 2004 Series A Bonds" shall mean the Outstanding Electric System Revenue Bonds, 2004 Series A of the District maturing in the years 2017 and 2021 through 2024, as described in **Exhibit B** hereto.

"Representation Letter" shall mean the DTC Blanket Letter of the Representation among the District, the Trustee and DTC, attached as **Exhibit D** hereto.

"Securities Depositories" shall mean The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax - (516) 227-4039 or 4190; Midwest Securities Trust Company, Capital Structures-Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Fax - (312) 663-2343; or to such other addresses and/or such other registered securities depositories holding substantial amounts of obligations of types similar to the 2010 Series Bonds.

"Trustee" shall mean U.S. Bank National Association, Phoenix, Arizona, appointed pursuant to Article IX of the Resolution, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Resolution.

SECTION 3. Principal Amount, Designation, Series and Allocations. (a) Pursuant to the provisions of the Resolutions, the District is hereby authorized to issue and sell Bonds in the aggregate principal amount of not to exceed $500,000,000. Such Bonds shall be designated as "Salt River Project Electric System Revenue Bonds, 2010 Series A (Federally Taxable – Direct Payment – Build America Bonds)."
(b) Pursuant to the provisions of the Resolutions, the District is hereby authorized to issue and sell additional Bonds in the aggregate principal amount of not to exceed $750,000,000. Such Bonds shall be designated as "Salt River Project Electric System Revenue Bonds, 2010 Series B."

(c) In order to comply with the Opinions and Orders of the Commission, the District reserves the right, and shall, if necessary to comply with such Opinions and Orders, change the allocations to such Opinions and Orders as set forth in **Exhibits A-1 and A-2** hereto.

SECTION 4. Purpose. (a) The purposes for which the 2010 Series A Bonds are to be issued are: 1) to provide moneys for the costs of acquisition and construction of various capital improvements and additions to the District's Electric System, including reimbursing the District for amounts spent relating thereto; and 2) to pay certain costs of issuance of the 2010 Series A Bonds.

(b) The purposes for which the 2010 Series B Bonds are to be issued are: 1) to provide moneys for the costs of acquisition and construction of various capital improvements and additions to the District's Electric System, including reimbursing the District for amounts spent relating thereto; 2) to provide a portion of the moneys required for the payment of the principal of, Redemption Price of and the interest on the Bonds To Be Refunded as provided in **Exhibit B** hereto and herein, for the purpose of realizing present value debt service savings; and 3) to pay certain costs of issuance of the 2010 Series B Bonds; provided, however, that (i) the combined aggregate principal amount of 2010 Series A Bonds and 2010 Series B Bonds issued to provide moneys for the costs of acquisition and construction of various capital improvements and additions to the District's Electric System, including reimbursing the District for amounts spent relating thereto, shall not exceed $500,000,000; (ii) any current refunding of the Bonds To Be Refunded shall realize a present value debt service savings of a minimum of 3%; and (iii) any advance refunding of the Bonds To Be Refunded shall realize a present value debt service savings of a minimum of 7%.

SECTION 5. Dates, Maturities and Interest. (a) The 2010 Series Bonds shall be dated, and shall bear interest from, their date of delivery.

(b) The 2010 Series Bonds shall mature on such dates as shall be determined by an Authorized Representative and as shall be set forth in the Official Statement; provided, however, that the final maturity date of the 2010 Series Bonds will be no later than January 1, 2041.

(c) The 2010 Series Bonds shall bear interest at such fixed rates as shall be determined by an Authorized Representative and as shall be set forth in the Official Statement; provided, however, that (i) the maximum interest rate for any maturity of the 2010 Series A Bonds shall not exceed 7.00% per annum and the all-in true interest cost of the 2010 Series A Bonds (inclusive of the 35% cash subsidy payment from the United States Treasury that the District will be eligible to receive pursuant to Section 54AA(g) of the Code) shall not exceed 4.90% per annum; and (ii) the maximum interest rate for any maturity of the 2010 Series B Bonds shall not exceed 7.00% per annum and the true interest cost of the 2010 Series B Bonds shall not exceed 4.90% per annum.

(d) Interest on the 2010 Series Bonds shall be payable on January 1, 2011, and semiannually thereafter on July 1 and January 1 of each year to maturity, to the registered owner of the 2010 Series Bonds as of the immediately preceding December 15 or June 15.

SECTION 6. Denominations, Numbers and Letters; Designation of 2010 Series A Bonds as "Build America Bonds". (a) The 2010 Series Bonds shall be issued only as fully registered bonds without coupons, subject to the provisions regarding a book-entry only system as described in Section 7 hereof, and the 2010 Series Bonds shall be issued in the denomination of $5,000, or any integral multiple thereof, in all cases not exceeding the aggregate principal

amount of 2010 Series Bonds maturing on the maturity date of the bond for which the denomination is to be specified.

(b) In accordance with the American Recovery and Reinvestment Act of 2009 (the "Recovery Act") and Section 54AA(d)(1)(C) of Code, the District irrevocably elects to treat the 2010 Series A Bonds as "Build America Bonds" to which Section 54AA of the Code shall apply. In accordance with Section 54AA(g)(2)(B) of the Code, the District irrevocably elects to treat the 2010 Series A Bonds as "qualified bonds" to which Sections 54AA(g) and 6431 of the Code shall apply. The District shall do all things necessary to ensure that the 2010 Series A Bonds qualify as "Build America Bonds" under Section 54AA and "qualified bonds" under Sections 54AA(g) and 6431 of the Code. In furtherance of the foregoing, the District shall comply with the provisions of the tax certificate executed by the District in connection with the 2010 Series A Bonds. Subject to the District's compliance with certain requirements under the Recovery Act and the Code, the District expects to receive cash subsidy payments from the United States Treasury equal to 35% of the interest payable on the 2010 Series A Bonds (the "2010 Series A Subsidy Payments"). Such 2010 Series A Subsidy Payments received by the District shall be deposited in the Revenue Fund or as directed by an Authorized Representative.

SECTION 7. Global Book Entry 2010 Series Bonds. (a) Beneficial ownership interests in the 2010 Series Bonds will be available in book-entry form only. Purchasers of beneficial ownership interests in the 2010 Series Bonds will not receive certificates representing their interests in the 2010 Series Bonds and will not be Bondholders or owners of the Bonds under the Resolution. DTC, an automated clearinghouse for securities transactions, will act as the Securities Depository for the 2010 Series Bonds. The 2010 Series 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 (or, if applicable, each interest rate within a maturity) of the 2010 Series Bonds, in the aggregate principal amount of such maturity (or, if applicable, such interest rate within a maturity), and will be deposited with DTC.

DTC holds securities that its participants ("Participants") deposit with DTC. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations ("Direct Participants"). Access to the DTC system is also available to others, such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants").

Purchases of the 2010 Series Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2010 Series Bonds on DTC's records. The ownership interest of each actual purchaser of each 2010

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

To facilitate subsequent transfers, all 2010 Series Bonds deposited by 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 2010 Series 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 2010 Series Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2010 Series Bonds are credited, which may or may not be the Beneficial Owners. The 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.

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2010 Series Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2010 Series Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2010 Series 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 Trustee, on each payment date in accordance with their respective

holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

Beneficial Owners will not be recognized by the Trustee as registered owners for purposes of this 2010 Series Resolution, and Beneficial Owners will be permitted to exercise the rights of registered owners only indirectly through DTC and the Direct and Indirect Participants.

(b) In the event definitive 2010 Series Bonds are issued, the provision of the Resolution, including but not limited to Sections 304 and 305 of the Resolution, shall apply to, among other things, the transfer and exchange of such definitive 2010 Series Bonds and the method of payment of principal of and interest on such definitive 2010 Series Bonds. Whenever DTC requests the District and the Trustee to do so, the Trustee and the District will cooperate with DTC in taking appropriate action after reasonable notice (i) to make available one or more separate definitive 2010 Series Bonds evidencing the Bonds to any DTC participant having 2010 Series Bonds credited to its DTC account or (ii) to arrange for another securities depository to maintain custody of definitive 2010 Series Bonds.

(c) Notwithstanding any other provision of the Resolution to the contrary, so long as any 2010 Series Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal of and interest on such 2010 Series Bond and all notices with respect to such 2010 Series Bond shall be made and given to Cede & Co., as nominee of DTC, as provided in the Representation Letter. All of the provisions of the Representation Letter shall be deemed to be a part of this 2010 Series Resolution as fully and to the same extent as if incorporated verbatim herein, with such changes, amendments, modifications, insertions, omissions or additions, as may be approved by an Authorized Representative. Execution by said Authorized Representative of the Representation Letter shall be deemed to be conclusive evidence of approval of

any such changes, amendments, modifications, insertions, omissions or additions.

(d) In connection with any notice or other communication to be provided to Bondholders pursuant to the Resolutions by the District or the Trustee with respect to any consent or other action to be taken by Bondholders, the District or the Trustee, as the case may be, shall, to the extent possible, establish a record date for such consent or other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date.

SECTION 8. Paying Agent. Subject to the provisions of Section 7 hereof, the principal of the 2010 Series Bonds shall be payable at the designated corporate trust office of the Trustee under the Resolutions (or at the principal office of any successor Trustee appointed pursuant to the Resolutions) or at any other place which may be provided for such payment by the appointment of any other Paying Agent or Paying Agents as authorized by the Resolutions. The Trustee is hereby appointed the Paying Agent for the 2010 Series Bonds. The interest on the 2010 Series Bonds will be payable by wired transfer or by check mailed by the Trustee on each Interest Payment Date.

SECTION 9. Redemption Terms and Prices. (a) Optional Redemption – 2010 Series A Bonds. The 2010 Series A Bonds will subject to optional redemption as shall be determined by an Authorized Representative at the time of the sale of the 2010 Series A Bonds; provided, however, that any optional redemption features for the 2010 Series A Bonds shall be within the parameters set forth in (i) and (ii) below.

(i) The 2010 Series A Bonds maturing on or after such date as shall be determined by an Authorized Representative and as shall be set forth in the Official Statement will be subject to redemption prior to maturity, at the option of the District, from any source of available funds, in whole or in part (and pro rata pass-through distribution of principal within a maturity in accordance with DTC procedures, or if DTC procedures do not allow for pro rata pass-through distribution of principal, by lot), on any date on or after such date as shall be determined by an Authorized Representative and as shall be set forth in the Official Statement, at a redemption price equal to the principal amount to be redeemed, plus accrued but unpaid interest to the redemption date, without premium.

(ii) The 2010 Series A Bonds are subject to redemption prior to their stated maturity date, at the option of the District, from any source of available funds, as a whole or in part and, if in part, in such order of maturity as the District shall direct (and pro rata pass-through distribution of principal within a maturity in accordance with DTC procedures, or if DTC procedures do not allow for pro rata pass-through distribution of principal, by lot), on any date, at the Make-Whole Redemption Price. The Make-Whole Redemption Price will be calculated by an

independent banking institution or independent financial advisor appointed by the District.

"Make-Whole Redemption Price" means for each maturity of the 2010 Series A Bonds the greater of (i) 100% of the principal amount of the 2010 Series A Bonds of such maturity to be redeemed or (ii) the sum of the present value of the remaining scheduled payments of principal of and interest on the 2010 Series A Bonds of such maturity to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2010 Series A Bonds are to be redeemed, discounted to the date on which the 2010 Series A Bonds of such maturity are to be redeemed on a semi-annual basis, assuming a 360-day year containing twelve 30-day months, at the Treasury Rate plus no less than fifteen (15) basis points, plus accrued interest on the 2010 Series A Bonds of such maturity to be so redeemed to the redemption date.

"Treasury Rate" means, with respect to any redemption date of any maturity of the 2010 Series A Bonds, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity of the applicable Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

"Comparable Treasury Issue" means, with respect to any redemption date for a particular 2010 Series A Bond, the United States Treasury security or securities selected by the Designated Investment Banker with an actual or interpolated maturity comparable to the remaining average life of the 2010 Series A Bond to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the 2010 Series A Bond to be redeemed.

"Comparable Treasury Price" means, with respect to any redemption date for a particular 2010 Series A Bond: (i) the most recent yield data for the applicable U.S. Treasury maturity index from the Federal Reserve Statistical Release H.15 Daily Update (or any comparable or successor publication) reported as of 11:00 a.m., New York City time, on the Valuation Date; or (ii) if the yield described in (i) above is not reported as of such time or the yield reported as of such time is not ascertainable, the average of four Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all quotations obtained by the Designated Investment Banker.

"Designated Investment Banker" means one of the Reference Treasury Dealers appointed by the District.

"Reference Treasury Dealer" means an entity, specified by the District from time to time that is a primary United States Government securities dealer in The City of New York (a "Primary Treasury Dealer"); provided, that if such entity ceases to be a Primary Treasury Dealer, the District will specify another Primary Treasury Dealer in substitution therefor.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for a particular 2010 Series A Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the Valuation Date.

"Valuation Date" means not later than the third Business Day preceding the redemption date but no more than forty-five (45) calendar days prior to the redemption date.

(b) Extraordinary Optional Redemption – 2010 Series A Bonds. The 2010 Series A Bonds are subject to redemption prior to their stated maturity date, at the option of the District, upon the occurrence of an Extraordinary Event, from any source of available funds, as a whole or in part and, if in part, in such order of maturity as the District shall direct (and pro rata pass-through distribution of principal within a maturity in accordance with DTC procedures, or if DTC procedures do not allow for pro rata pass-through distribution of principal, by lot), on any date, at the Extraordinary Optional Redemption Price. The Extraordinary Optional Redemption Price will be calculated by an independent banking institution or independent financial advisor appointed by the District.

"Extraordinary Optional Redemption Price" means for each maturity of the 2010 Series A Bonds the greater of (i) 100% of the principal amount of the 2010 Series A Bonds of such maturity to be redeemed or (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the 2010 Series A Bonds of such maturity to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2010 Series A Bonds are to be redeemed, discounted to the date on which the 2010 Series A Bonds of such maturity are to be redeemed on a semi-annual basis, assuming a 360-day year containing twelve 30-day months, at the Treasury Rate (as defined above) plus one hundred (100) basis points, plus accrued interest on the 2010 Series A Bonds of such maturity to be so redeemed to the redemption date.

An "Extraordinary Event" will have occurred if the District determines that a material adverse change has occurred to section 54AA or section 6431 of the Code or there is any guidance published by the Internal Revenue Service or the United States Treasury with respect to such sections or any other determination by the Internal Revenue Service or the United States Treasury, which determination is not the result of an act or omission by the District to satisfy the

requirements to receive the 2010 Series A Subsidy Payments from the United States Treasury with respect to the 2010 Series A Bonds, pursuant to which the District's 2010 Series A Subsidy Payments from the United States Treasury with respect to the 2010 Series A Bonds are reduced or eliminated.

(c) Mandatory Redemption - 2010 Series A Bonds. An Authorized Representative shall determine whether all or a portion of the 2010 Series A Bonds shall be subject to redemption prior to maturity, by operation of the Debt Service Fund to satisfy Sinking Fund Installments (such amounts and dates of such Sinking Fund Installments to be determined by such Authorized Representative and as set forth in the Official Statement), at 100% of the principal amount of the 2010 Series A Bonds to be redeemed, together with accrued interest up, to but not including, the redemption date.

The Sinking Fund Installments may be satisfied by the District delivering to the Trustee, no later than 45 days in advance of the date of such Sinking Fund Installment, 2010 Series A Bonds of such maturities theretofore purchased or redeemed by the District otherwise than by operation of the sinking fund redemption as determined by an Authorized Representative.

(d) Selection of 2010 Series A Bonds to be Redeemed. Whenever by the terms of the Resolutions, 2010 Series A Bonds are to be redeemed at the direction of the District, the District shall select the maturity or maturities of 2010 Series A Bonds to be redeemed. If less than all of the 2010 Series A Bonds of a maturity are called for prior redemption, the particular 2010 A Series Bonds or portions thereof to be redeemed shall be selected on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as the 2010 Series A Bonds are held in book-entry form, the selection for redemption of such 2010 Series A Bonds shall be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, the 2010 Series A Bonds will be selected for redemption, in accordance with DTC procedures, by lot. In connection with any optional redemption of any 2010 Series A Bonds that are term bonds subject to mandatory sinking fund redemption, the principal amount of such 2010 Series A Bonds being redeemed shall be allocated against the scheduled sinking fund redemption amounts in such manner as the District may direct and the scheduled sinking fund installments payable thereafter shall be modified as to such term 2010 Series A Bonds. In such event, the District shall provide to the Trustee a revised schedule of sinking fund installments.

It is the District's intent that redemption allocations made by DTC be made on a pro rata pass-through distribution of principal basis as described in the paragraph above. However, neither the District nor the Purchasers can provide any assurance that DTC, DTC's Direct and Indirect Participants or any other intermediary will allocate the redemption of 2010 Series A Bonds on such basis.

If the DTC operational arrangements do not allow for the redemption of the 2010 Series A Bonds on a pro rata pass-through distribution of principal basis as discussed in the paragraph above, then the 2010 Series A Bonds will be selected for redemption in accordance with DTC procedures, by lot.

(e) Mandatory Redemption - 2010 Series B Bonds. An Authorized Representative shall determine whether all or a portion of the 2010 Series B Bonds shall be subject to redemption prior to maturity, upon random selection within a maturity by the Trustee, by operation of the Debt Service Fund to satisfy Sinking Fund Installments (such amounts and dates of such Sinking Fund Installments to be determined by such Authorized Representative and as set forth in the Official Statement), at 100% of the principal amount of the 2010 Series B Bonds to be redeemed, together with accrued interest up to, but not including, the redemption date.

The Sinking Fund Installments may be satisfied by the District delivering to the Trustee, no later than 45 days in advance of the date of such Sinking Fund Installment, 2010 Series B Bonds of such maturities theretofore purchased or redeemed by the District otherwise than by operation of the sinking fund redemption as determined by an Authorized Representative.

(f) Optional Redemption - 2010 Series B Bonds. The 2010 Series B Bonds maturing on and after such date as shall be determined by an Authorized Representative and as shall be set forth in the Official Statement are subject to redemption at the option of the District prior to maturity, at any time on or after such date as shall be determined by an Authorized Representative and as shall be set forth in the Official Statement, as a whole or in part by random selection by the Trustee within a maturity with the same coupon from maturities selected by the District, at the Redemption Price of 100% of the principal amount of the 2010 Series B Bonds or portions thereof to be redeemed, together with accrued interest up to but not including the redemption date.
For so long as book entry only system of registration is in effect with respect to the 2010 Series B Bonds if less than all of the 2010 Series B Bonds of a particular maturity (and, if applicable, interest rate within a maturity) is to be redeemed, the particular Beneficial Owner(s) to receive payment of the redemption price with respect to beneficial ownership interests in such 2010 Series B Bonds shall be selected by DTC and the Direct Participants and/or the Indirect Participants.

(g) Notice of Redemption. Notice to Bondholders of such redemption shall be given by mail to the registered owners of the 2010 Series Bonds to be redeemed, postage prepaid, not less than 25 days nor more than 50 days prior to the redemption date. Failure to give notice of redemption by mail, or any defect in such notice, will not affect the validity of the proceedings for the redemption of any other Electric System Revenue Bonds.

(h) Further Notice. In addition to the foregoing notice, further notice shall be given by the Trustee as set forth in this subsection (h), but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed in subsection (g) above. Each further notice of redemption given hereunder shall be dated and shall state: (i) the redemption date, (ii) the Redemption Price, (iii) if fewer than all Outstanding 2010 Series Bonds are to be redeemed, the Bond numbers (and, in the case of partial redemption, the respective principal amounts) of the 2010 Series Bonds to be redeemed, (iv) that on the redemption date the Redemption Price will become due and payable upon each such 2010 Series Bond or portion thereof called for redemption, and that interest with respect thereto shall cease to accrue from and after said date, (v) the CUSIP numbers of the 2010 Series Bonds to be redeemed, (vi) the place where such 2010 Series Bonds are to be surrendered for payment of the Redemption Price, (vii) the original date of execution and delivery of the 2010 Series Bonds; (viii) the rate of interest payable with respect to each 2010 Series Bond being redeemed; (ix) the maturity date of each 2010 Series Bond being redeemed; and (x) any other descriptive information needed to identify accurately the 2010 Series Bonds being redeemed. Each further notice of redemption shall be sent, not less than 25 days nor more than 50 days prior to the redemption date, by electronic, telecopy, registered, certified or overnight mail to all Securities Depositories and to the Information Services. Upon the payment of the Redemption Price of 2010 Series Bonds being redeemed, each check or other transfer of funds, issued for such purpose shall, to the extent practicable, bear or indicate the CUSIP number identifying, by issue and maturity, the 2010 Series Bonds being redeemed with the proceeds of such check or other transfer.

Except with respect to the unredeemed portion of any 2010 Series Bond being redeemed in part, neither the Trustee nor any agent of the Trustee shall be obligated to register the transfer or exchange of any 2010 Series Bond during the 15 days preceding the date on which notice of redemption of a 2010 Series Bond is to be given on any Bond that has been called for redemption except the unredeemed portion of any 2010 Series Bond being redeemed in part.

SECTION 10. Reserved.

SECTION 11. Application of the Proceeds of 2010 Series Bonds. In accordance with the Resolution, the proceeds of the 2010 Series Bonds shall be applied simultaneously with the delivery of the 2010 Series Bonds, as shall be determined by an Authorized Representative and set forth in a certificate of an Authorized Representative to be executed at the time the 2010 Series Bonds are issued.

SECTION 12. The Bonds To Be Refunded Escrow Deposit Fund. The Bonds To Be Refunded Escrow Deposit Fund shall be established under the

Escrow Deposit Agreement. Such Fund shall be held by the Trustee as Escrow Agent and the amounts in such Fund shall be applied pursuant to the Escrow Deposit Agreement for the payment of the Bonds To Be Refunded.

SECTION 13. Form of 2010 Series Bonds. Subject to the provisions of the Resolutions, the 2010 Series Bonds and the Certificate of Authentication shall be in substantially the form of **Exhibit E** hereto.

SECTION 14. Notice of Redemption and Notice of Defeasance of the Bonds To Be Refunded. The District hereby irrevocably elects and directs the Trustee to redeem from the amounts deposited with the Trustee pursuant to Section 11 hereof the Bonds To Be Refunded in the amounts, on the dates and at the redemption prices set forth on **Exhibit B** hereto, with such changes as shall be approved by an Authorized Representative, with the advice of Drinker Biddle & Reath LLP, Bond Counsel (such approval to be evidenced by such Authorized Representative's execution of such redemption notices). The District directs the Trustee to give notice of redemption and notice of defeasance as required by Section 12.01 of the Resolution. In addition to the foregoing notice, further notice shall be given by the Trustee as set forth below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above. Each further notice of redemption given hereunder shall be dated and shall state: (i) the redemption date, (ii) the Redemption Price, (iii) the Bond numbers (and, in the case of a partial redemption, the respective principal amounts) of the Bonds To Be Refunded to be redeemed, (iv) that on the redemption date the Redemption Price will become due and payable upon each of such Bonds To Be Refunded called for redemption, and that interest with respect thereto shall cease to accrue from and after said date, (v) the CUSIP numbers of the Bond To Be Refunded to be redeemed, (vi) the place where such Bonds To Be Refunded are to be surrendered for payment of the Redemption Price, (vii) the original date of execution and delivery of the Bonds To Be Refunded, (viii) the rate of interest payable with respect to each of the Bonds To Be Refunded being redeemed, (ix) the maturity date of each of the Bonds To Be Refunded being redeemed, and (x) any other descriptive information needed to identify accurately the Bonds To Be Refunded being redeemed. Each further notice of redemption shall be sent, not less than 25 days nor more than 50 days prior to the redemption date, by telecopy, registered, certified or overnight mail to all Securities Depositories and to the Information Services. Upon the payment of the Redemption Price of the Bonds To Be Refunded being redeemed, each check or other transfer of funds, issued for such purpose shall, to the extent practicable, bear or indicate the CUSIP number identifying, by issue and maturity, the Bonds To Be Refunded being redeemed with the proceeds of such check or other transfer. For the purpose of satisfying the publication and/or mailing requirement of redemption and defeasance notices set forth in the Resolution, the Trustee may combine into one or more notices the notices required under the Resolution and may add

to such notice or notices the information listed in (i) through (x) above as it deems necessary.

SECTION 15. Escrow Deposit Agreement. Upon the issuance of the 2010 Series B Bonds, the District intends to enter into the Escrow Deposit Agreement. The form of the Escrow Deposit Agreement in substantially the form attached hereto as **Exhibit C** is hereby approved, with such changes as shall be approved by an Authorized Representative, with the advice of Drinker Biddle & Reath LLP, Bond Counsel (such approval to be evidenced by such Authorized Representative's execution thereof). An Authorized Representative is hereby authorized and directed to execute the Escrow Deposit Agreement and to deliver the Escrow Deposit Agreement to the Trustee as the Escrow Agent. All of the provisions of the Escrow Deposit Agreement, when executed and delivered by the District as authorized herein and when duly authorized and executed by the Trustee as Escrow Agent, shall be deemed to be a part of this 2010 Series Resolution as fully and to the same extent as if incorporated verbatim herein.

SECTION 16. Execution, Delivery and Authentication. The 2010 Series Bonds shall be executed by imprinting thereon the manual or facsimile signature of the President or Vice President of the District and by affixing thereto the corporate seal of the District or facsimile thereof and said signature and seal shall be attested by the manual or facsimile signature of the Secretary or an Assistant Secretary of the District. The President or the Corporate Treasurer of the District or their designees are hereby authorized and directed to deliver the 2010 Series Bonds executed in the foregoing manner to the Purchasers upon payment of the purchase price specified in Section 17 hereof pursuant to the terms and conditions of the Purchase Contract. There is hereby authorized to be printed or otherwise reproduced on the back of, or attached to, each of the 2010 Series Bonds, the approving opinion of Drinker Biddle & Reath LLP, Bond Counsel and a certification executed by the manual or facsimile signature of the Secretary or an Assistant Secretary of the District with respect to the form and delivery of said opinion. All Officers of the District and employees designated by Officers are authorized to sign and execute all certificates and documents required for the sale and delivery of the 2010 Series Bonds.

The Trustee (or its duly designated agent) as Authenticating Agent is hereby authorized and directed to manually execute the Certificate of Authentication appearing on the 2010 Series Bonds. No 2010 Series Bond shall be issued and delivered hereunder without the manual signature of an authorized representative of the Trustee or its Authenticating Agent appearing on such Certificate of Authentication.

SECTION 17. Approval of Purchase Contract. Any Authorized Representative is hereby authorized to execute and deliver on behalf of the District a Purchase Contract (the "Purchase Contract"), by and between the District and the Purchasers in substantially the form attached hereto as **Exhibit**

F, with such changes as shall be approved by an Authorized Representative, with the advice of Drinker Biddle & Reath LLP, Bond Counsel (such approval to be evidenced by such Authorized Representative's execution thereof) for the purchase of the 2010 Series Bonds at the price or prices to be agreed upon; provided, however, that (i) the Underwriters' Discount for the 2010 Series A Bonds shall not exceed $6.00 per $1,000.00 of the principal amount of 2010 Series A Bonds; and (ii) the Underwriters' Discount for the 2010 Series B Bonds shall not exceed $6.00 per $1,000.00 of the principal amount of 2010 Series B Bonds.

SECTION 18. Approval of Financing Costs; Amortization of Financing Costs and Accounting Loss on Defeasance.

(a) Issuance costs resulting from the issuance of the 2010 Series Bonds in the amount of not to exceed $1,500,000 are hereby approved.

(b) In order to provide accurate accounting records and reports, (i) the issuance costs of not to exceed $1,500,000 resulting from the issuance of the 2010 Series Bonds shall be amortized monthly over the life of the 2010 Series Bonds; and (ii) any accounting loss on the defeasance of the Bonds To Be Refunded may be amortized monthly over the life of the Bonds To Be Refunded, as any Authorized Representative shall deem necessary or advisable.

SECTION 19. Good Faith Deposit. The good faith deposit in the amount of $7,000,000 to be received by the District from the Purchasers shall be held by the District in accordance with the terms of the Purchase Contract.

SECTION 20. Approval of Preliminary Official Statement, Official Statement and Continuing Disclosure Agreement. The preparation and distribution of a Preliminary Official Statement, in substantially the form attached hereto as **Exhibit G** (with such changes, omissions, insertions and revisions as any Authorized Representative shall deem necessary or advisable), is hereby ratified and confirmed and the Preliminary Official Statement shall be deemed "final" as of its date for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1), except for certain omissions permitted thereunder and except for changes permitted by other applicable law. Authorized Representatives and staff of the District are authorized to prepare and deliver to the Purchasers an Official Statement, dated the date of sale of the 2010 Series Bonds, relating to the 2010 Series Bonds in substantially the form of the Preliminary Official Statement (with such changes, omissions, insertions and revisions as any Authorized Representative shall deem necessary or advisable). The form of the Continuing Disclosure Agreement attached hereto as **Exhibit H** is hereby approved. An Authorized Representative is authorized and directed to execute and deliver the Official Statement, for and on behalf of the District, to the Purchasers, and the Continuing Disclosure Agreement to the Trustee. The Secretary or an Assistant

Secretary of the District are each hereby authorized to attest signatures, if required.

SECTION 21. Arbitrage Covenant. The District covenants and agrees that it shall not direct or permit any action which would cause any 2010 Series Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code or direct or permit any action inconsistent with the applicable regulations thereunder as amended from time to time and as applicable to the 2010 Series Bonds. The provisions of this Section 21 shall survive any defeasance of the 2010 Series Bonds pursuant to the Resolution.

SECTION 22. Tax Exemption. In order to maintain the exclusion from Federal gross income of interest on the 2010 Series B Bonds, the District shall comply with the provisions of the Code applicable to the 2010 Series B Bonds, including without limitation the provisions of the Code relating to the computation of the yield on investments of the gross proceeds of the 2010 Series B Bonds, reporting of earnings on the gross proceeds of the 2010 Series B Bonds, and rebate of excess earnings to the Department of the Treasury of the United States of America and shall not take any action or permit any action that would cause the interest on the 2010 Series B Bonds to be included in gross income under Section 103 of the Code or cause interest on the 2010 Series B Bonds to be an item of tax preference under Section 57 of the Code. In furtherance of the foregoing, the District shall comply with the Tax Certificate as to Arbitrage and the Provisions of Sections 141-150 of the Code, to be executed by an Authorized Representative at the time the 2010 Series B Bonds are issued, as such Tax Certificate may be amended from time to time, as a source of guidance for achieving compliance with the Code, and such officers are hereby authorized and directed to execute and deliver such Tax Certificate for and on behalf of the District. The provisions of this Section 22 shall survive any defeasance of the 2010 Series B Bonds pursuant to the Resolution.

SECTION 23. Preservation of Qualified Build America Bond Status. In order to ensure the continued qualification of the 2010 Series A Bonds as "Build America Bonds" for purposes of the Recovery Act and the Code, the District shall comply with the same provisions cited in Section 22 hereof with respect to the 2010 Series A Bonds. The provisions of this Section 23 shall survive any defeasance of the 2010 Series A Bonds pursuant to the Resolution.

SECTION 24. Severability. If any one or more of the covenants or agreements provided in this 2010 Series Resolution on the part of the District or any Fiduciary to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this 2010 Series Resolution, so long as this 2010 Series Resolution as so modified continues to express, without material change, the original intentions of the District or any Fiduciary as to the subject matter of this 2010

Series Resolution and the deletion of such portion of this 2010 Series Resolution will not substantially impair the respective benefits or expectations of the District or any Fiduciary.

SECTION 25. Effective Date. This 2010 Series Resolution shall take effect immediately upon adoption.

Exhibit B

Bonds To Be Refunded

MATURITY	SERIES	BOND DESC	COUPON	PAR ($)	REFUNDABLE AS OF JULY 2010 ($)	FIRST CALL	CALL PREMIUM
1/1/2018	1997 SERIES A	TERM18	5.125%	1,795,000	1,795,000	Curr Callable	100%
1/1/2018	1997 SERIES A	TERM20	5.000%	6,490,000	6,490,000	Curr Callable	100%
1/1/2019	1997 SERIES A	TERM20	5.000%	16,065,000	16,065,000	Curr Callable	100%
1/1/2020	1997 SERIES A	TERM20	5.000%	11,800,000	11,800,000	Curr Callable	100%
				36,150,000	36,150,000		
1/1/2014	2002 SERIES A	SERIAL	5.250%	24,025,000	8,170,000	1/1/2012	101%
1/1/2015	2002 SERIES A	SERIAL	4.600%	260,000	85,000	1/1/2012	101%
1/1/2015	2002 SERIES A	SERIAL	5.250%	28,940,000	9,845,000	1/1/2012	101%
1/1/2016	2002 SERIES A	SERIAL	4.750%	550,000	185,000	1/1/2012	101%

Exhibit B

Bonds To Be Refunded

1/1/2017	2002 SERIES A	SERIAL	5.250%	2,855,000	970,000	1/1/2012	101%
1/1/2018	2002 SERIES A	SERIAL	5.250%	21,665,000	7,370,000	1/1/2012	101%
1/1/2019	2002 SERIES A	SERIAL	4.875%	380,000	125,000	1/1/2012	101%
1/1/2019	2002 SERIES A	SERIAL	5.250%	33,925,000	11,540,000	1/1/2012	101%
1/1/2020	2002 SERIES A	SERIAL	5.250%	4,160,000	1,415,000	1/1/2012	101%
1/1/2021	2002 SERIES A	SERIAL	5.000%	17,155,000	5,835,000	1/1/2012	101%
1/1/2022	2002 SERIES A	SERIAL	5.000%	5,640,000	1,915,000	1/1/2012	101%
1/1/2023	2002 SERIES A	SERIAL	5.125%	10,000,000	3,400,000	1/1/2012	101%
1/1/2023	2002 SERIES A	SERIAL	5.000%	33,765,000	11,485,000	1/1/2012	101%
1/1/2026	2002 SERIES A	TERM27	5.125%	47,245,000	16,075,000	1/1/2012	101%
1/1/2027	2002 SERIES A	TERM27	5.125%	13,765,000	4,680,000	1/1/2012	101%

Exhibit B

Bonds To Be Refunded

1/1/2027	2002 SERIES A	TERM31	5.000%	27,925,000	9,500,000	1/1/2012	101%
1/1/2028	2002 SERIES A	TERM31	5.000%	37,575,000	12,780,000	1/1/2012	101%
1/1/2029	2002 SERIES A	TERM31	5.000%	17,865,000	6,075,000	1/1/2012	101%
1/1/2030	2002 SERIES A	TERM31	5.000%	8,015,000	2,725,000	1/1/2012	101%
				335,710,000	114,175,000		
1/1/2017	2002 SERIES B	SERIAL	5.000%	18,185,000	18,185,000	1/1/2013	100%
1/1/2020	2002 SERIES B	SERIAL	5.000%	28,495,000	28,495,000	1/1/2013	100%
1/1/2021	2002 SERIES B	SERIAL	5.000%	21,960,000	21,960,000	1/1/2013	100%
1/1/2022	2002 SERIES B	SERIAL	5.000%	32,960,000	32,960,000	1/1/2013	100%
1/1/2024	2002 SERIES B	SERIAL	4.800%	55,675,000	55,675,000	1/1/2013	100%
1/1/2025	2002 SERIES B	SERIAL	5.000%	58,095,000	58,095,000	1/1/2013	100%
1/1/2026	2002	SERIAL	5.000%	17,075,000	17,075,000	1/1/2013	100%

Exhibit B

Bonds To Be Refunded

1/1/2027	SERIES B 2002 SERIES B 2002	TERM31	5.000%	13,220,000	13,220,000	1/1/2013	100%
1/1/2028	SERIES B 2002 SERIES B 2002	TERM31	5.000%	20,515,000	20,515,000	1/1/2013	100%
1/1/2029	SERIES B	TERM31	5.000%	39,380,000	39,380,000	1/1/2013	100%
				305,560,000	305,560,000		
1/1/2017	2004 SERIES A 2004	SERIAL	5.000%	11,210,000	3,995,000	1/1/2014	100%
1/1/2021	SERIES A 2004	SERIAL	5.000%	6,700,000	2,385,000	1/1/2014	100%
1/1/2022	SERIES A 2004	SERIAL	5.000%	7,150,000	2,545,000	1/1/2014	100%
1/1/2023	SERIES A 2004	SERIAL	5.000%	7,295,000	2,600,000	1/1/2014	100%
1/1/2024	SERIES A	SERIAL	5.000%	865,000	305,000	1/1/2014	100%
				33,220,000	11,830,000		
			TOTAL:	**710,640,000**	**467,715,000**		

Exhibit E

Form of Bond

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), 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 DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), **ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.**

As provided in the Resolutions referred to herein, until the termination of the system of book-entry-only transfers through DTC and notwithstanding any other provision of the Resolutions to the contrary, a portion of the principal amount of this bond may be paid or redeemed without surrender hereof to the Paying Agent. DTC or a nominee, transferee or assignee of DTC of this bond may not rely upon the principal amount indicated hereon as the principal amount hereof outstanding and unpaid. The principal amount hereof outstanding and unpaid shall for all purposes be the amount determined in the manner provided in the Resolutions.

Number R- $

UNITED STATES OF AMERICA
STATE OF ARIZONA COUNTY OF MARICOPA
SALT RIVER PROJECT AGRICULTURAL
IMPROVEMENT AND POWER DISTRICT
SALT RIVER PROJECT ELECTRIC SYSTEM
REVENUE BOND, 2010 SERIES [A (FEDERALLY TAXABLE – DIRECT PAYMENT -BUILD AMERICA BONDS)] [B]

Interest Rate	Maturity Date	Dated Date	CUSIP
		_____, 2010	

Registered Owner: Cede

& Co. Principal Sum:

SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, Maricopa County, Arizona (herein called the "District"), a political subdivision and body politic and corporate organized and existing under the Constitution and laws of the State of Arizona, acknowledges itself indebted to, and for value received hereby promises to pay, solely from the revenues and

special funds of the District pledged therefor as hereinafter provided, to the registered owner identified above or registered assigns, on the maturity date set forth above, upon presentation and surrender of this 2010 Series [A][B] Bond (as hereinafter defined) at the designated corporate trust office of U.S. Bank National Association (such bank and any successor thereto being herein called the "Paying Agent"), at the option of the registered owner, the principal sum set forth above in any coin or currency of the United States of America which at the time of payment is legal tender for payment of public and private debts, and to pay solely from such revenues and special funds pledged therefor to the registered owner hereof interest on such principal sum from the dated date set forth above or from the most recent interest payment date to which interest has been paid or duly provided for, at the interest rate shown above per annum, payable by check mailed by the Trustee (hereinafter defined), on the first days of January and July (beginning January 1, 2011) in each year to the person in whose name this 2010 Series [A][B] Bond is registered as of the close of business on the immediately preceding December 15 or June 15 until the District's obligation with respect to the payment of such principal sum shall be discharged.

This Bond is one of a duly authorized series of Bonds of the District in the aggregate principal amount of $_____ designated as its "Salt River Project Electric System Revenue Bonds, 2010 Series [A (Federally Taxable – Direct Payment – Build America Bonds)][B]" (herein called the "2010 Series [A][B] Bonds"), issued to [finance the costs of acquisition and construction of various capital improvements and additions to the District's Electric System][refund certain of the District's outstanding Revenue Bonds] pursuant to the Constitution and laws of the State of Arizona, including Article 7, Chapter 17, Title 48 of the Arizona Revised Statutes (herein called the "Act"), and under and pursuant to a resolution of the Board of Directors of the District, entitled "Supplemental Resolution Dated September 10, 2001 Authorizing an Amended and Restated Resolution Concerning Revenue Bonds," which became effective January 11, 2003 as amended and supplemented, and a resolution of the Board of Directors of the District, dated as of September 13, 2010 entitled "Resolution Authorizing the Issuance and Sale of Not To Exceed $_____ Salt River Project Electric System Revenue Bonds, 2010 Series A and Not To Exceed $_____ Salt River Project Electric System Revenue Bonds, 2010 Series B of the Salt River Project Agricultural Improvement and Power District, and Providing for the Form, Details and Terms Thereof" (herein collectively called the "Resolutions"). Each capitalized term not defined herein shall have the meaning set forth in the Resolutions. As provided in the Resolutions, the 2010 Series [A][B] Bonds, and the outstanding Electric System Revenue Bonds heretofore issued pursuant to the Resolution Concerning Revenue Bonds, as to principal and interest thereon are payable from and secured by a pledge of the revenues of the District's Electric System referred to in the Resolutions and other funds held or set aside under the Resolutions. Such pledge is subject and subordinate in all respects to the payment of operating expenses and to the prior pledge of such revenues to the repayment of certain federal loan agreements heretofore or

hereafter entered into by the District. Copies of the Resolutions are on file at the office of the District and at the designated corporate trust office of U.S. Bank National Association, Phoenix, Arizona, as Trustee under the Resolutions, or its successor as Trustee (herein called the "Trustee"), and reference to the Resolutions and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a description of the pledge and covenants securing the Bonds, the nature, extent and manner of enforcement of such pledge, the rights and remedies of the registered owners of the Bonds with respect thereto and the terms and conditions upon which the Bonds are issued and may be issued thereunder.

The 2010 Series [A][B] Bonds are being issued by means of a book-entry system, with no physical distribution of bond certificates to be made except as provided in the Resolutions. One bond certificate for each maturity (or, if applicable, each interest rate within a maturity), registered in the name of the Securities Depository nominee, Cede & Co., is being issued for deposit with the Securities Depository and immobilized in its custody. The book-entry system will evidence positions held in the 2010 Series [A][B] Bonds by the Securities Depository's participants; beneficial ownership of the 2010 Series [A][B] Bonds, in the principal amount of $5,000 or any integral multiple thereof, shall be evidenced in the records of such participants. Transfers of ownership shall be effected on the records of the Securities Depository and its participants pursuant to rules and procedures established by the Securities Depository and its participants. The District and the Trustee will recognize the Securities Depository nominee, while the registered owner of this 2010 Series [A][B] Bond, as the owner of this 2010 Series [A][B] Bond for all purposes, including payments of principal of and interest on, this 2010 Series [A][B] Bond, notices and voting. Transfers of principal and interest payments to participants of the Securities Depository will be the responsibility of the Securities Depository, and transfers of principal and interest payments to beneficial owners of the 2010 Series [A][B] Bonds by participants of the Securities Depository will be the responsibility of such participants and other nominees of such beneficial owners. The District will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by the Securities Depository, the Securities Depository nominee, its participants or persons acting through such participants. While the Securities Depository nominee is the owner of this 2010 Series [A][B] Bond, notwithstanding any provisions herein contained to the contrary, payments of principal of and interest on this 2010 Series [A][B] Bond shall be made in accordance with existing arrangements among the Trustee, the District and the Securities Depository.

This 2010 Series [A][B] Bond is transferable as provided in the Resolutions; provided, however, that such transfer may be made only upon books kept for that purpose at the above mentioned office of the Trustee and at the office of any Paying Agent then acting as agent of the Trustee for such purpose, by the registered owner hereof in person, or by his duly authorized attorney, upon

surrender of this 2010 Series [A][B] Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney, and thereupon a new registered Bond or Bonds, in authorized denominations and for the same aggregate principal amounts, shall be issued to the transferee in exchange therefor as provided in the Resolutions, and upon payment of the charges therein prescribed. The District and the Trustee may deem and treat the person in whose name this 2010 Series [A][B] Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal hereof and interest due hereon and for all other purposes.

The 2010 Series [A][B] Bonds are issuable in the form of registered Bonds in the denomination of $5,000 or any integral multiple of $5,000. The 2010 Series [A][B] Bonds, upon surrender thereof at the designated corporate trust office of the Trustee or at the office of any Paying Agent then acting as agent for the Trustee for such purpose at the option of the registered owner thereof, may be exchanged for an equal aggregate principal amount of 2010 Series [A][B] Bonds of any other authorized denomination, of the same stated maturity, in the same manner, subject to the conditions, and upon the payment of the charges, if any, provided in the Resolutions.

As provided in the Resolutions, Bonds of the District may be issued from time to time pursuant to supplemental resolutions in one or more series, in various principal amounts, may mature at different times, may bear interest at different rates and may otherwise vary. The aggregate principal amount of Bonds which may be issued under the Resolution Concerning Revenue Bonds is not limited except as provided in the Resolution Concerning Revenue Bonds, and all Bonds heretofore issued and to be issued under the Resolution Concerning Revenue Bonds are and will be equally secured by the pledge and covenants made therein.

[The 2010 Series [A][B] Bonds maturing on January 1, 20__, are subject to redemption prior to maturity, upon random selection within a maturity by the Trustee, upon notice as hereinafter provided, by operation of the Debt Service Fund established under the Resolutions to satisfy Sinking Fund Installments, on and after January 1, 20__ at 100% of the principal amount of 2010 Series [A][B] Bonds to be redeemed, together with accrued interest up to but not including the redemption date. The Sinking Fund Installments may be satisfied by the District delivering to the Trustee, no later than 45 days in advance of the date of such Sinking Fund Installment, 2010 Series [A][B] Bonds of such maturities theretofore purchased or redeemed by the District otherwise than by operation of the sinking fund redemption described herein.

[The 2010 Series A Bonds are subject to redemption prior to their stated maturity date, at the option of the District, from any source of available funds, as a whole or in part and, if in part, in such order of maturity as the District shall

direct (and pro rata pass-through distribution of principal within a maturity in accordance with DTC procedures, or if DTC procedures do not allow for pro rata pass-through distribution of principal, by lot), on any date, at the Make-Whole Redemption Price. The Make-Whole Redemption Price will be calculated by an independent banking institution or independent financial advisor appointed by the District.

"Make-Whole Redemption Price" means for each maturity of the 2010 Series A Bonds the greater of (i) 100% of the principal amount of the 2010 Series A Bonds of such maturity to be redeemed or (ii) the sum of the present value of the remaining scheduled payments of principal of and interest on the 2010 Series A Bonds of such maturity to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2010 Series A Bonds are to be redeemed, discounted to the date on which the 2010 Series A Bonds of such maturity are to be redeemed on a semi-annual basis, assuming a 360-day year containing twelve 30-day months, at the Treasury Rate plus twenty-five (25) basis points, plus accrued interest on the 2010 Series A Bonds of such maturity to be so redeemed to the redemption date.

"Treasury Rate" means, with respect to any redemption date of any maturity of the 2010 Series A Bonds, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity of the applicable Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

"Comparable Treasury Issue" means, with respect to any redemption date for a particular 2010 Series A Bond, the United States Treasury security or securities selected by the Designated Investment Banker with an actual or interpolated maturity comparable to the remaining average life of the 2010 Series A Bond to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the 2010 Series A Bond to be redeemed.

"Comparable Treasury Price" means, with respect to any redemption date for a particular 2010 Series A Bond: (i) the most recent yield data for the applicable U.S. Treasury maturity index from the Federal reserve Statistical Release H.15 Daily Update (or any comparable or successor publication) reported as of 11:00 a.m., New York City time, on the Valuation Date; or (ii) if the yield described in (i) above is not reported as of such time or the yield reported as of such time is not ascertainable, the average of four Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all quotations obtained by the Designated Investment Banker.

"Designated Investment Banker" means one of the Reference Treasury Dealers appointed by the District.

"Reference Treasury Dealer" means an entity, specified by the District from time to time that is a primary United States Government securities dealer in The City of New York (a "Primary Treasury Dealer"); provided, that if such entity ceases to be a Primary Treasury Dealer, the District will specify another Primary Treasury Dealer in substitution therefor.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for a particular 2010 Series A Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the Valuation Date.

"Valuation Date" means not later than the third Business Day preceding the redemption date but no more than forty-five (45) calendar days prior to the redemption date.

The 2010 Series A Bonds are subject to redemption prior to their stated maturity date, at the option of the District, upon the occurrence of an Extraordinary Event, from any source of available funds, as a whole or in part and, if in part, in such order of maturity as the District shall direct (and pro rata pass-through distribution of principal within a maturity in accordance with DTC procedures, or if DTC procedures do not allow for pro rata pass-through distribution of principal, by lot), on any date, at the Extraordinary Optional Redemption Price. The Extraordinary Optional Redemption Price will be calculated by an independent banking institution or independent financial advisor appointed by the District.

"Extraordinary Optional Redemption Price" means for each maturity of the 2010 Series A Bonds the greater of (i) 100% of the principal amount of the 2010 Series A Bonds of such maturity to be redeemed or (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the 2010 Series A Bonds of such maturity to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2010 Series A Bonds are to be redeemed, discounted to the date on which the 2010 Series A Bonds of such maturity are to be redeemed on a semi-annual basis, assuming a 360-day year containing twelve 30-day months, at the Treasury Rate (as defined above) plus one hundred (100) basis points, plus accrued interest on the 2010 Series A Bonds of such maturity to be so redeemed to the redemption date.

An "Extraordinary Event" will have occurred if the District determines that a material adverse change has occurred to section 54AA or section 6431 of the Code or there is any guidance published by the Internal Revenue Service or the United States Treasury with respect to such sections or any other determination

by the Internal Revenue Service or the United States Treasury, which determination is not the result of an act or omission by the District to satisfy the requirements to receive the 2010 Series A Subsidy Payments from the United States Treasury with respect to the 2010 Series A Bonds, pursuant to which the District's 2010 Series A Subsidy Payments from the United States Treasury with respect to the 2010 Series A Bonds are reduced or eliminated.]

The 2010 Series B Bonds maturing on and after January 1, 20__ are subject to redemption at the option of the District prior to maturity, at any time on or after January 1, 20__, upon notice as hereinafter provided, as a whole or in part by random selection by the Trustee within a maturity with the same coupon from maturities selected by the District, at the Redemption Price of 100% of the principal amount of the 2010 Series B Bonds or portions thereof to be redeemed, together with accrued interest up to but not including the redemption date.

For so long as book entry only system of registration is in effect with respect to the 2010 Series [A][B] Bonds if less than all of the 2010 Series [A][B] Bonds of a particular maturity (and, if applicable, interest rate within a maturity) is to be redeemed, the particular Beneficial Owner(s) to receive payment of the redemption price with respect to beneficial ownership interests in such 2010 Series [A][B] Bonds shall be selected by DTC and the Direct Participants and/or the Indirect Participants.

Whenever by the terms of the Resolutions, 2010 Series [A][B] Bonds are to be redeemed at the direction of the District, the District shall select the maturity or maturities of 2010 Series [A][B] Bonds to be redeemed. If less than all of the 2010 Series [A][B] Bonds of a maturity are called for prior redemption, the particular 2010 Series [A][B] Bonds or portions thereof to be redeemed shall be selected on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as the 2010 Series [A][B] Bonds are held in book-entry form, the selection for redemption of such 2010 Series [A][B] Bonds shall be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, the 2010 Series [A][B] Bonds will be selected for redemption, in accordance with DTC procedures, by lot. In connection with any optional redemption of any 2010 Series [A][B] Bonds that are term bonds subject to mandatory sinking fund redemption, the principal amount of such 2010 Series [A][B] Bonds being redeemed shall be allocated against the scheduled sinking fund redemption amounts in such manner as the District may direct and the scheduled sinking fund installments payable thereafter shall be modified as to such term 2010 Series [A][B] Bonds. In such event, the District shall provide to the Trustee a revised schedule of sinking fund installments.

Notice of redemption shall be mailed to the registered owners of the 2010 Series [A][B] Bonds not less than 25 days nor more than 50 days prior to the redemption

date, all in the manner and upon the terms and conditions set forth in the Resolutions. If notice of redemption shall have been mailed as aforesaid, the 2010 Series [A][B] Bonds or portions thereof specified in said notice shall become due and payable on the redemption date therein fixed, and if, on the redemption date, moneys for the redemption of all the 2010 Series [A][B] Bonds or portions thereof 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 Bonds or portions thereof so called for redemption shall cease to accrue and be payable.

This 2010 Series [A][B] Bond shall not be entitled to any benefit under the Resolutions or be valid or become obligatory for any purpose until this 2010 Series [A][B] Bond shall have been authenticated by the manual signature of a duly authorized signatory of the Trustee or its duly authorized agent on the Certificate of Authentication.

It is hereby certified and recited that all conditions, acts and things required by law and the Resolutions to exist, to have happened and to have been performed precedent to and in the issuance of this 2010 Series [A][B] Bond, exist, have happened and have been performed and that the 2010 Series [A][B] Bonds, together with all other indebtedness of the District, are within every debt and other limit prescribed by the laws of the State of Arizona.

IN WITNESS WHEREOF, SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, by authority of the Act, has caused this 2010 Series [A][B] Bond to be executed by the manual or facsimile signature of its President or Vice President thereunto duly authorized and the corporate seal of said District or facsimile thereof to be hereunto affixed and attested by the manual or facsimile signature of its Secretary or Assistant Secretary, all as of _____, 2010.

(SEAL) SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT

Attest:
By: _____
President

By: _____
Secretary

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds delivered pursuant to the Resolutions mentioned within. DATED: _____, 2010

U.S. Bank National Association, as Trustee

By:_____
Authorized Signatory

The undersigned Secretary of the Salt River Project Agricultural Improvement and Power District hereby certifies that the following is a full, true and correct copy of the original legal opinion of Drinker Biddle & Reath LLP, as to the validity and security of the Series of Bonds of which the within Bond is one and as to certain tax matters with respect to the Bonds, dated as of the date of delivery of said Bonds and delivered as of said date.

_____

Secretary

CERTIFICATE

I, TERRILL A. LONON, the duly appointed, qualified, and acting Corporate Secretary of the Salt River Project Agricultural Improvement and Power District (the District) a special district under Title 48 of the Arizona Revised Statutes, DO HEREBY CERTIFY that attached hereto is a true and correct copy of a resolution entitled: "**AMENDING RESOLUTION DATED OCTOBER 1, 2010 PROVIDING FOR AN AMENDMENT TO THE RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED $500,000,000 SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2010 SERIES A AND NOT TO EXCEED $750,000,000 SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2010 SERIES B OF THE SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, AND PROVIDING FOR THE FORM, DETAILS AND TERMS THEREOF DATED SEPTEMBER 13, 2010**" as adopted by a majority of the SRP Board of Directors at a meeting held on October 1, 2010, at which a quorum was present and voted, and that no change, revision, amendment, or addendum has been made subsequent thereto.

IN WITNESS WHEREOF, I have set my hand and seal of the Salt River Project Agricultural Improvement and Power District, this 21st day of October 2010.

SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT
MARICOPA COUNTY
SEAL
ARIZONA

Terrill A. Lonon

Terrill A. Lonon
Corporate Secretary

AMENDING RESOLUTION DATED OCTOBER 1, 2010 PROVIDING FOR AN AMENDMENT TO THE RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED $500,000,000 SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2010 SERIES A AND NOT TO EXCEED $750,000,000 SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2010 SERIES B OF THE SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, AND PROVIDING FOR THE FORM, DETAILS AND TERMS THEREOF DATED SEPTEMBER 13, 2010

WHEREAS, the members of the Board of Directors (the "Board of Directors") of the Salt River Project Agricultural Improvement and Power District (the "District"), adopted its resolution entitled "RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED $500,000,000 SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2010 SERIES A AND NOT TO EXCEED $750,000,000 SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2010 SERIES B OF THE SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, AND PROVIDING FOR THE FORM, DETAILS AND TERMS THEREOF (the "2010 Series Resolution") on September 13, 2010, which provided for the issuance, sale and delivery of (i) not to exceed $500,000,000 2010 Series A Bonds (Federally Taxable – Direct Payment – Build America Bonds) (the "2010 Series A Bonds") and (ii) not to exceed $750,000,000 2010 Series B Bonds, which will be issued as tax-exempt bonds (the "2010 Series B Bonds," and together with the 2010 Series A Bonds, the "2010 Series Bonds") to (A) finance the costs of acquisition and construction of various capital improvements and additions to the District's Electric System, (B) refund certain of the District's outstanding Revenue Bonds and (C) pay certain costs of issuance of the 2010 Series Bonds; and

WHEREAS, it is determined necessary and in the best financial interests of the District to adopt a resolution providing for an amendment to the 2010 Series Resolution with respect to the 2010 Series B Bonds (the "Amending Resolution") in accordance with the provisions hereof;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT AS FOLLOWS:

SECTION 1. Amendment to Section 5(d) of the 2010 Series Resolution. Section 5(d) of the 2010 Series Resolution is hereby amended and restated to read in its entirety as follows *[NOTE: language added to original provision in double underline]*:

"(d) Interest on the 2010 Series Bonds shall be payable on January 1, 2011, and semiannually thereafter on July 1 and January 1 of each year to maturity, to the registered owner of the 2010 Series Bonds as of the immediately preceding December 15 or June 15. <u>Notwithstanding the previous sentence, interest on the 2010 Series B Bonds shall be payable on December 1, 2010, and semiannually thereafter on June 1</u>

and December 1 of each year to maturity, to the registered owner of the 2010 Series B Bonds as of the immediately preceding May 15 or November 15."

SECTION 2. Incidental Action. Any Authorized Representative is hereby authorized and directed to take such other action as may be necessary or appropriate in order to effectuate the sale and issuance of the 2010 Series B Bonds.

SECTION 3. Confirmation of 2010 Series Resolution. Except as amended hereby for purposes of the 2010 Series B Bonds, the 2010 Series Resolution remains in full force and effect in all respects.

SECTION 4. Effective Date. This Amending Resolution shall take effect immediately upon adoption.

CERTIFICATE

I, TERRILL A. LONON, the duly appointed, qualified, and acting Corporate Secretary of the Salt River Project Agricultural Improvement and Power District (the District) a special district under Title 48 of the Arizona Revised Statutes, DO HEREBY CERTIFY that attached hereto is a true and correct copy of a resolution entitled: **"RESOLUTION OF THE COUNCIL APPROVING THE PRIVATE SALE BY THE SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT AND RATIFYING AND CONFIRMING TERMS AND CONDITIONS OF NOT TO EXCEED $500,000,000 SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2010 SERIES A AND NOT TO EXCEED $750,000,000 SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2010 SERIES B"** as adopted by a majority of the SRP Council Members at a meeting held on September 14, 2010, at which a quorum was present and voted, and that no change, revision, amendment, or addendum has been made subsequent thereto.

IN WITNESS WHEREOF, I have set my hand and seal of the Salt River Project Agricultural Improvement and Power District, this 21st day of October 2010.

SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT
MARICOPA COUNTY
SEAL
ARIZONA

Terrill A. Lonon
Corporate Secretary

RESOLUTION OF THE COUNCIL APPROVING THE PRIVATE SALE BY THE SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT AND RATIFYING AND CONFIRMING TERMS AND CONDITIONS OF NOT TO EXCEED $500,000,000 SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2010 SERIES A AND NOT TO EXCEED $750,000,000 SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2010 SERIES B

WHEREAS, The Board of Directors (the "Board") of the Salt River Project Agricultural Improvement and Power District (the "District"), by resolution entitled "Supplemental Resolution Dated September 10, 2001 Authorizing an Amended and Restated Resolution Concerning Revenue Bonds," which became effective January 11, 2003, as amended and supplemented, has created and established an issue of Salt River Project Electric System Revenue Bonds (the "Bonds"), which Bonds may be authorized from time to time pursuant to Series Resolutions; and

WHEREAS, the Board adopted on September 13, 2010 its "RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED $500,000,000 SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2010 SERIES A AND NOT TO EXCEED $750,000,000 SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2010 SERIES B OF THE SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, AND PROVIDING FOR THE FORM, DETAILS AND TERMS THEREOF" (the "2010 Series Resolution") (the form of which is attached hereto as **Exhibit A**), that, among other things, authorizes the terms and conditions of the 2010 Series Bonds, authorizes the issuance of the 2010 Series Bonds and the private sale of the 2010 Series Bonds to purchasers represented by and including Morgan Stanley & Co. Incorporated, J.P. Morgan Securities Inc., Bank of America Merrill Lynch, Citigroup Global Markets Inc., Goldman, Sachs & Co. and Ramirez & Co., Inc. (hereinafter collectively referred to as the "2010 Series Purchasers") pursuant to the terms and conditions of a Purchase Contract, to be dated the date of the sale of the 2010 Series Bonds, by and among the District and the 2010 Series Purchasers (the "2010 Series Purchase Contract") (the form of which is attached hereto as **Exhibit B**); and

WHEREAS, pursuant to the requirements of Title 48, Chapter 17, Article 7, of the Arizona Revised Statutes, no bonds may be issued by the District unless the Council, by resolution adopted by an affirmative vote of a majority of its members, ratifies and confirms the amount of the bonds authorized to be issued by the Board and, if the Board determines to sell bonds at private sale, such sale shall be subject to prior approval by a majority of the members of the Council;

NOW, THEREFORE, BE IT RESOLVED, by the members of the Council of the Salt River Project Agricultural Improvement and Power District as follows:

(i) The terms and conditions of the 2010 Series Bonds, as contained in the 2010 Series Resolution, are hereby ratified, confirmed and approved.

(ii) The private sale of (A) not to exceed $500,000,000 2010 Series A Bonds and (B) not to exceed $750,000,000 2010 Series B Bonds, to the 2010 Series Purchasers pursuant to the terms and conditions of the 2010 Series Resolution and the 2010 Series Purchase Contract, is hereby ratified, confirmed and approved.

(iii) This resolution shall take effect immediately.

CERTIFICATE

I, TERRILL A. LONON, the duly appointed, qualified, and acting Corporate Secretary of the Salt River Project Agricultural Improvement and Power District (the District) a special district under Title 48 of the Arizona Revised Statutes, DO HEREBY CERTIFY that attached hereto is a true and correct copy of a resolution entitled: **"AMENDING RESOLUTION DATED OCTOBER 1, 2010 PROVIDING FOR AN AMENDMENT TO THE RESOLUTION OF THE COUNCIL APPROVING THE PRIVATE SALE BY THE SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT AND RATIFYING AND CONFIRMING TERMS AND CONDITIONS OF NOT TO EXCEED $500,000,000 SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2010 SERIES A AND NOT TO EXCEED $750,000,000 SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2010 SERIES B DATED SEPTEMBER 14, 2010"**, as adopted by a majority of the SRP Council Members at a meeting held on September 14, 2010, at which a quorum was present and voted, and that no change, revision, amendment, or addendum has been made subsequent thereto.

IN WITNESS WHEREOF, I have set my hand and seal of the Salt River Project Agricultural Improvement and Power District, this 21st day of October 2010.

SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT
MARICOPA COUNTY
SEAL
ARIZONA

Terrill A. Lonon
Corporate Secretary

AMENDING RESOLUTION DATED OCTOBER 1, 2010 PROVIDING FOR AN AMENDMENT TO THE RESOLUTION OF THE COUNCIL APPROVING THE PRIVATE SALE BY THE SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT AND RATIFYING AND CONFIRMING TERMS AND CONDITIONS OF NOT TO EXCEED $500,000,000 SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2010 SERIES A AND NOT TO EXCEED $750,000,000 SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2010 SERIES B DATED SEPTEMBER 14, 2010

WHEREAS, the Board of Directors (the "Board") of the Salt River Project Agricultural Improvement and Power District (the "District") adopted on October 1, 2010 its resolution entitled "AMENDING RESOLUTION DATED OCTOBER 1, 2010 PROVIDING FOR AN AMENDMENT TO THE RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED $500,000,000 SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2010 SERIES A AND NOT TO EXCEED $750,000,000 SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2010 SERIES B OF THE SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, AND PROVIDING FOR THE FORM, DETAILS AND TERMS THEREOF DATED SEPTEMBER 13, 2010" (the "Board Amending Resolution") (the form of which is attached hereto as **Exhibit A**), that, provides for an amendment to the resolution adopted by the Board entitled "RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED $500,000,000 SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2010 SERIES A AND NOT TO EXCEED $750,000,000 SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2010 SERIES B OF THE SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, AND PROVIDING FOR THE FORM, DETAILS AND TERMS THEREOF (the "2010 Series Resolution") on September 13, 2010;

WHEREAS, pursuant to the requirements of Title 48, Chapter 17, Article 7, of the Arizona Revised Statutes, the Council of the District adopted on September 14, 2010 its resolution entitled "RESOLUTION OF THE COUNCIL APPROVING THE PRIVATE SALE BY THE SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT AND RATIFYING AND CONFIRMING TERMS AND CONDITIONS OF NOT TO EXCEED $500,000,000 SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2010 SERIES A AND NOT TO EXCEED $750,000,000 SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2010 SERIES B" (the "Council Approving Resolution") by an affirmative vote of a majority of its members;

WHEREAS, it is determined necessary and in the best financial interests of the District to ratify, confirm and approve the Board Amending Resolution in accordance with the provisions hereof;

NOW, THEREFORE, BE IT RESOLVED, by the members of the Council of the Salt River Project Agricultural Improvement and Power District as follows:

(i) The Board Amending Resolution is hereby ratified, confirmed and approved.

(ii) The private sale of not to exceed $750,000,000 2010 Series B Bonds, to the 2010 Series Purchasers pursuant to the terms and conditions of the 2010 Series Resolution, as amended by the Board Amending Resolution, and the 2010 Series Purchase Contract, is hereby ratified, confirmed and approved.

(iii) Except as amended hereby for purposes of the 2010 Series B Bonds, the Council Approving Resolution remains in full force and effect in all respects.

(iv) This resolution shall take effect immediately.

NEW ISSUE **FULL BOOK-ENTRY**

In the opinion of Bond Counsel, under existing statutes and court decisions and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the District, interest on the 2010 Series B Bonds is excluded from gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In the further opinion of Bond Counsel, interest on the 2010 Series B Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations; such interest, however is included in adjusted current earnings in calculating alternative minimum taxable income for purposes of the alternative minimum tax imposed under the Code on certain corporations. Interest on the 2010 Series A Bonds is included in gross income of the owners thereof for federal income tax purposes. In the opinion of Bond Counsel, interest on both the 2010 Series A Bonds and 2010 Series B Bonds is exempt from income taxes imposed by the State of Arizona. See "TAX MATTERS" herein regarding certain other tax considerations.

Salt River Project Agricultural Improvement and Power District, Arizona

Salt River Project Electric System Revenue Bonds

$500,000,000
2010 Series A
(Federally Taxable – Direct Payment – Build America Bonds)

$216,785,000
2010 Series B
(Tax-Exempt)

Dated: Date of Delivery **Due: As shown on inside cover**

The 2010 Series Bonds (as defined herein) are being issued pursuant to the Supplemental Resolution Dated September 10, 2001, authorizing an Amended and Restated Resolution Concerning Revenue Bonds, which became effective January 11, 2003, as amended and supplemented (the "Resolution"). The 2010 Series Bonds, together with heretofore and hereafter issued Revenue Bonds, are payable from and secured by a pledge of and lien on all Revenues of the District from the ownership and operation of the Electric System after the payment of Operating Expenses.

The 2010 Series Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2010 Series Bonds. Individual purchases of interests in the 2010 Series Bonds may be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof. Purchasers of such interests will not receive certificates representing their interests in the 2010 Series Bonds. Interest with respect to the 2010 Series A Bonds is payable January 1 and July 1 of each year, commencing January 1, 2011. Interest with respect to the 2010 Series B Bonds is payable June 1 and December 1 of each year, commencing December 1, 2010.

The principal of, redemption price, if any, and interest on the 2010 Series Bonds are payable by U.S. Bank National Association, as Trustee, and interest will be payable by check mailed by the Trustee to the registered owner of each 2010 Series Bond as of the immediately preceding December 15 or June 15 for the 2010 Series A Bonds and May 15 and November 15 for the 2010 Series B Bonds. So long as Cede & Co. is the registered owner, the Trustee will pay such principal and redemption price, if any, of and interest on the 2010 Series Bonds to DTC, which will remit such principal, redemption price, if any, and interest to its Direct Participants for subsequent disbursement to the Beneficial Owners of the 2010 Series Bonds. The 2010 Series Bonds are subject to optional and mandatory redemption as described herein. See "THE 2010 SERIES BONDS — Redemption" herein.

The District currently intends to designate the 2010 Series A Bonds as direct payment "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"). Subject to the District's compliance with certain requirements under the Recovery Act and the Internal Revenue Code of 1986, as amended (the "Code"), the District expects to receive cash subsidy payments from the United States Treasury equal to 35% of the interest payable on the 2010 Series A Bonds. Such cash subsidy payments received by the District will be deposited in the Revenue Fund.

The 2010 Series Bonds do not constitute general obligations of the District or obligations of the State of Arizona, and no holder of any of the 2010 Series Bonds has the right to compel the exercise of the taxing powers of the District to pay the 2010 Series Bonds or the interest thereon.

This cover page contains certain information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the 2010 Series Bonds. Investors should read this Official Statement in its entirety before making an investment decision.

The 2010 Series Bonds are offered when, as and if issued, and subject to the approval of legality by Drinker Biddle & Reath LLP, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Winston & Strawn LLP. It is expected that the 2010 Series Bonds will be available for delivery to DTC in New York, New York, on or about October 7, 2010.

Morgan Stanley **J.P. Morgan**
BofA Merrill Lynch **Citi** **Goldman, Sachs & Co.** **Ramirez & Co., Inc.**

Dated: September 30, 2010

SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS

2010 SERIES A
(FEDERALLY TAXABLE – DIRECT PAYMENT – BUILD AMERICA BONDS)
(EXEMPT FROM STATE OF ARIZONA INCOME TAXES)
Term Bonds

$500,000,000 4.839% Term Bond Due January 1, 2041 Price 100% CUSIP Number 79575DE63**

2010 SERIES B
(EXEMPT FROM FEDERAL AND STATE OF ARIZONA INCOME TAXES)
Serial Bonds

Maturity (December 1)	Principal Amount	Interest Rate	Yield	CUSIP Number**
2014	$ 9,450,000	4.000%	0.990%	79575DG20
2016	805,000	2.000%	1.620%	79575DG38
2016	16,390,000	5.000%	1.620%	79575DG53
2017	315,000	3.000%	1.930%	79575DE71
2017	15,715,000	5.000%	1.930%	79575DG61
2018	10,510,000	4.000%	2.200%	79575DE89
2018	11,000,000	5.000%	2.200%	79575DG79
2019	1,335,000	3.000%	2.470%	79575DE97
2019	42,670,000	5.000%	2.470%	79575DF70
2020	940,000	2.500%	2.650%	79575DF21
2020	22,405,000	5.000%	2.650%	79575DF88
2021	1,525,000	4.000%	2.830%*	79575DF39
2021	33,885,000	5.000%	2.830%*	79575DF96
2022	13,585,000	5.000%	2.950%*	79575DF47
2025	2,245,000	3.000%	3.190%	79575DG46
2025	11,400,000	5.000%	3.190%*	79575DG87
2026	12,105,000	5.000%	3.270%*	79575DF54
2027	10,505,000	5.000%	3.340%*	79575DF62

* Priced to first optional redemption date of December 1, 2020.

** The CUSIP numbers shown above have been assigned to this issue by an organization not affiliated with the District and are included for the convenience of the holders of the 2010 Series Bonds only. The District is not responsible for the selection of CUSIP numbers, nor is any representation made as to their correctness on the 2010 Series Bonds or as indicated herein.

MANAGEMENT OF THE DISTRICT

BOARD OF DIRECTORS

Larry D. Rovey	Deborah S. Hendrickson
Paul E. Rovey	Arthur L. Freeman
Mario J. Herrera	Dwayne E. Dobson
Lloyd E. Banning	Carolyn Pendergast
Carl E. Weiler	William W. Arnett
John M. White, Jr.	Fred J. Ash
Keith B. Woods	Wendy L. Marshall

PRINCIPAL OFFICERS AND OTHER EXECUTIVES

David Rousseau	*President*
John R. Hoopes	*Vice President*
Richard H. Silverman	*General Manager*
Terrill A. Lonon	*Corporate Secretary*
Dean R. Duncan	*Corporate Treasurer*
Jane D. Alfano	*Corporate Counsel*
David G. Areghini	*Associate General Manager, Power, Construction & Engineering Services*
Mark B. Bonsall	*Associate General Manager, Commercial & Customer Services and Chief Financial Executive*
Richard M. Hayslip	*Associate General Manager, Environmental, Human Resources, Land and Risk Management*
Barbara M. Hoffnagle	*Associate General Manager, Information Technology & Operations Support Services and Chief Information Executive*
D. Michael Rappoport	*Associate General Manager, Public & Communications Services*
John F. Sullivan	*Associate General Manager, Water Group*

SPECIAL SERVICES

Legal Advisors	*Jennings, Strouss & Salmon, P.L.C.*
Bond Counsel	*Drinker Biddle & Reath LLP*
Financial Consultant	*Public Financial Management*
Verification Services	*Causey Demgen & Moore Inc.*
Trustee and Paying Agent	*U.S. Bank National Association*

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the 2010 Series Bonds described herein in any jurisdiction to any person to whom it is unlawful to make such an offer. No dealer, broker, salesman or other person has been authorized by the Salt River Project Agricultural Improvement and Power District (the "District") or the Underwriters to give any information or to make any representations with respect to the 2010 Series Bonds other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the District or the Underwriters.

The information set forth herein has been furnished by the District and other sources which are believed to be reliable. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or the Electric System since the date hereof.

THESE SECURITIES 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 OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN CONNECTION WITH THE OFFERING OF THE 2010 SERIES BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2010 SERIES BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE. THE UNDERWRITERS MAY OFFER AND SELL THE 2010 SERIES BONDS TO CERTAIN DEALERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

This Official Statement contains forward-looking statements within the meaning of the federal securities laws. Such statements are based on currently available information, expectations, estimates, assumptions and projections, and management's judgment about the power utility industry and general economic conditions. Such words as expects, intends, plans, believes, estimates, anticipates or variations of such words or similar expressions are intended to identify forward-looking statements. The forward-looking statements are not guarantees of future performance. Actual results may vary materially from what is contained in a forward-looking statement. Factors which may cause a result different from those expected or anticipated include, among other things, new legislation, increases in suppliers' prices, particularly prices for fuel in connection with the operation of the Electric System, changes in environmental compliance requirements, acquisitions, changes in customer power use patterns, natural disasters and the impact of weather on operating results. The District assumes no obligation to provide public updates of forward-looking statements.

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

INFORMATION CONCERNING OFFERING RESTRICTIONS
IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES

THE FOLLOWING INFORMATION HAS BEEN PROVIDED BY THE UNDERWRITERS FOR USE IN THIS OFFICIAL STATEMENT. THE DISTRICT (REFERRED TO IN THESE LEGENDS AS THE "ISSUER") MAKES NO REPRESENTATION AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION

MINIMUM UNIT SALES

THE BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE BOND OF $5,000 PRINCIPAL AMOUNT). FOR ANY SALES MADE OUTSIDE THE UNITED STATES, THE MINIMUM PURCHASE AND TRADING AMOUNT IS 20 UNITS (BEING 20 BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF $100,000).

AUSTRALIA

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN INVITATION TO APPLY FOR, OR OFFER OF, THE BONDS TO ANY OTHER PERSON. IN NO CIRCUMSTANCES MAY THIS OFFICIAL STATEMENT BE MADE AVAILABLE TO A "RETAIL CLIENT" AS DEFINED IN SECTION 761G OF THE AUSTRALIAN CORPORATIONS ACT. FURTHER, THE BONDS WILL ONLY BE ISSUED TO WHOLESALE CLIENTS.

FOR FURTHER DETAILS, AND OTHER INVESTOR ELIGIBILITY CRITERIA THAT APPLY, SEE THE OFFICIAL STATEMENT.

THIS OFFER IS ONLY AVAILABLE TO SOPHISTICATED OR PROFESSIONAL INVESTORS UNDER SECTION 708(8) AND (11) OF THE CORPORATIONS ACT.

THIS OFFICIAL STATEMENT IS ACCORDINGLY NOT A PROSPECTUS, OTHER KIND OF DISCLOSURE DOCUMENT OR A PRODUCT DISCLOSURE STATEMENT FOR THE PURPOSES OF THE AUSTRALIAN CORPORATIONS ACT AND HAS NOT BEEN LODGED WITH THE AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION. THIS OFFICIAL STATEMENT IS NOT A PRODUCT DISCLOSURE STATEMENT UNDER PART 7.9 OF THE CORPORATIONS ACT. THIS OFFICIAL STATEMENT IS NOT REQUIRED TO, AND DOES NOT, CONTAIN ALL THE INFORMATION WHICH WOULD BE REQUIRED TO BE INCLUDED IN A DISCLOSURE DOCUMENT OR A PRODUCT DISCLOSURE STATEMENT UNDER THE AUSTRALIAN CORPORATIONS ACT.

THIS OFFICIAL STATEMENT HAS NOT BEEN PREPARED FOR AUSTRALIAN INVESTORS. IT MAY, THEREFORE, CONTAIN REFERENCES TO DOLLAR AMOUNTS WHICH ARE NOT AUSTRALIAN DOLLARS, MAY CONTAIN FINANCIAL INFORMATION WHICH IS NOT PREPARED IN ACCORDANCE WITH AUSTRALIAN LAW OR PRACTICES, MAY NOT ADDRESS RISKS ASSOCIATED WITH INVESTMENT IN FOREIGN CURRENCY DENOMINATED INVESTMENTS AND DOES NOT ADDRESS AUSTRALIAN TAX ISSUES. AUSTRALIAN INVESTORS SHOULD SEEK THEIR OWN TAX, LEGAL, INVESTMENT AND OTHER PROFESSIONAL ADVICE BEFORE MAKING AN INVESTMENT DECISION.

IF YOU ARE UNSURE OF YOUR ELIGIBILITY TO INVEST IN THE BONDS YOU SHOULD OBTAIN LEGAL ADVICE.

THE BONDS AND THE ISSUER ARE NOT, AND ARE NOT REQUIRED TO BE, REGISTERED AS A MANAGED INVESTMENT SCHEME UNDER THE AUSTRALIAN CORPORATIONS ACT.

AUSTRALIAN ARRANGER

THE UNDERWRITERS ("AUSTRALIAN ARRANGER") ARE OFFERING TO ELIGIBLE INVESTORS IN AUSTRALIA TO ARRANGE FOR THE ISSUE OF THE BONDS IN ACCORDANCE WITH THE OFFICIAL STATEMENT. THE AUSTRALIAN ARRANGER IS AUTHORISED TO MAKE THAT OFFER IN

ACCORDANCE WITH AN "INTERMEDIARY AUTHORISATION" WITHIN THE MEANING OF SECTION 911A(2)(B) OF THE CORPORATIONS ACT.

THE AUSTRALIAN ARRANGER WILL HOLD AN APPROPRIATE AUSTRALIAN FINANCIAL SERVICES LICENCE.

THE OFFICIAL STATEMENT DOES NOT TAKE INTO ACCOUNT ANY PERSONS' OBJECTIVES, FINANCIAL SITUATION OR NEEDS. THERE IS NO COOLING-OFF REGIME APPLICABLE IN RESPECT OF AN ACQUISITION OF THE BONDS. THE ISSUER AND THE UNDERWRITERS MAY NOT BE LICENSED UNDER THE CORPORATIONS ACT TO PROVIDE FINANCIAL PRODUCT ADVICE IN RELATION TO BONDS.

SECONDARY SALE RESTRICTIONS

THE BONDS MUST NOT BE OFFERED FOR SALE, OR INVITATIONS FOR OFFERS TO PURCHASE THE BONDS ISSUED, UNLESS DISCLOSURE IS NOT REQUIRED UNDER PART 6D.2 OF THE CORPORATIONS ACT AND A PRODUCT DISCLOSURE STATEMENT IS NOT REQUIRED TO BE GIVEN UNDER PART 7.9 OF THE CORPORATIONS ACT. FURTHER, THE BONDS MAY ONLY BE HELD BY WHOLESALE CLIENTS. OTHER RESTRICTIONS ON TRANSFERABILITY OF THE BONDS ARE DESCRIBED IN THE OFFICIAL STATEMENT.

APPLYING FOR THE BONDS

TO APPLY FOR THE BONDS PLEASE FOLLOW THE INSTRUCTIONS IN THE OFFICIAL STATEMENT.

GENERAL

NO REPRESENTATION IS MADE OR WARRANTY GIVEN THAT THE OFFICIAL STATEMENT IS A COMPLETE OR ACCURATE STATEMENT OF INFORMATION WHICH MAY BE NEEDED TO MAKE AN INVESTMENT DECISION. THE ISSUER DISCLAIMS, TO THE MAXIMUM EXTENT PERMITTED BY LAW, ALL RESPONSIBILITY FOR LOSS OR DAMAGE WHICH MAY BE SUFFERED BY ANY PERSON DIRECTLY OR INDIRECTLY THROUGH RELYING UPON THE OFFICIAL STATEMENT, WHETHER THAT LOSS OR DAMAGE IS CAUSED BY ANY FAULT OR NEGLIGENCE ON THE PART OF THE ISSUER, OR OTHERWISE. RECIPIENTS OF THE OFFICIAL STATEMENT SHOULD RELY UPON THEIR OWN INQUIRIES AND OBTAIN INDEPENDENT LEGAL, FINANCIAL AND TAXATION ADVICE RELEVANT TO FOREIGN INVESTMENT OF THE KIND INVOLVED, PRIOR TO MAKING ANY INVESTMENT DECISION. NOTHING IN THE OFFICIAL STATEMENT IS, OR MAY BE RELIED UPON AS, A PROMISE OR A REPRESENTATION OR A WARRANTY AS TO ANY FUTURE MATTER.

YOUR INVESTMENT IN THE BONDS IS SUBJECT TO INVESTMENT AND OTHER RISKS, INCLUDING POSSIBLE DELAYS IN REPAYMENT AND LOSS OF INCOME AND PRINCIPAL INVESTED. NEITHER THE ISSUER NOR ITS ADVISORS OR AFFILIATES GUARANTEE THE PERFORMANCE OF THE ISSUER, THE REPAYMENT OF CAPITAL OR ANY PARTICULAR RATE OF RETURN. NEITHER THE ISSUER NOR ITS ADVISORS OR AFFILIATES ARE AUTHORISED DEPOSIT-TAKING INSTITUTIONS REGULATED BY THE AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY. INVESTMENTS IN THE BONDS DO NOT REPRESENT DEPOSITS WITH OR OTHER LIABILITIES OF THE ISSUER OR ITS ADVISORS AND AFFILIATES.

AUSTRIA

THIS OFFICIAL STATEMENT HAS BEEN PRODUCED FOR THE SOLE PURPOSE OF PROVIDING INFORMATION ABOUT THE BONDS DESCRIBED HEREIN TO A LIMITED NUMBER OF QUALIFIED INVESTORS AND LESS THAN 100 INVESTORS, OTHER THAN QUALIFIED INVESTORS IN AUSTRIA. THIS OFFICIAL STATEMENT IS MADE AVAILABLE ON THE CONDITION THAT IT IS FOR THE USE ONLY BY THE RECIPIENT AS A QUALIFIED INVESTOR AND MAY NOT BE PASSED ON TO ANY OTHER PERSON OR REPRODUCED IN ANY PART. THE BONDS WILL NOT BE OFFERED IN THE

COURSE OF A PUBLIC OFFERING OR OF EQUIVALENT MARKETING IN AUSTRIA AND, THEREFORE, THE PROVISIONS OF THE INVESTMENT FUND ACT 1993 (INVESTMENTFONDSGESETZ 1993) AND THE PROVISIONS OF THE CAPITAL MARKET ACT 1991 (KAPITALMARKTGESETZ 1991) RELATING TO PROSPECTUS REQUIREMENTS DO NOT APPLY. ANY ORDER BY ANY PERSON OTHER THAN THE INITIAL RECIPIENT OF THE OFFICIAL STATEMENT WILL BE REJECTED. PAST PERFORMANCE IS NO RELIABLE INDICATOR FOR FUTURE PERFORMANCE.

AS OF THE DATE THE DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 4 NOVEMBER 2003 ON THE PROSPECTUS TO BE PUBLISHED WHEN SECURITIES ARE OFFERED TO THE PUBLIC OR ADMITTED TO TRADING AND AMENDING DIRECTIVE 2001/34/EC ("PROSPECTUS DIRECTIVE") IS IMPLEMENTED IN THE RELEVANT MEMBER STATES OF THE EUROPEAN ECONOMIC AREA (THE "IMPLEMENTATION DATE"), THE BONDS MAY BE OFFERED AND SOLD TO THE PUBLIC WITHIN SUCH MEMBER STATES OF THE EUROPEAN ECONOMIC AREA ONLY IN ACCORDANCE WITH THE PROVISIONS OF THE PROSPECTUS DIRECTIVE AND THE ACTS AND REGULATIONS PASSED IN THE RESPECTIVE MEMBER STATES WITH REGARD TO THE IMPLEMENTATION OF THE PROSPECTUS DIRECTIVE.

BELGIUM

THE OFFERING IS EXCLUSIVELY CONDUCTED UNDER APPLICABLE PRIVATE PLACEMENT EXEMPTIONS AND THEREFORE NEITHER THIS PRIVATE PLACEMENT OFFICIAL STATEMENT NOR ANY OTHER OFFERING MATERIAL RELATED TO THE BONDS HAS BEEN OR WILL BE NOTIFIED TO, AND NEITHER THIS PRIVATE PLACEMENT OFFICIAL STATEMENT NOR ANY OTHER OFFERING MATERIAL RELATING TO THE BONDS HAS BEEN OR WILL BE APPROVED OR REVIEWED BY, THE BELGIAN BANKING, FINANCE AND INSURANCE COMMISSION (COMMISSION BANCAIRE, FINANCIERE ET DES ASSURANCES/COMMISSIE VOOR HET BANK, FINANCIE EN ASSURANTIEWEZEN) OR THE "CBFA.". NOR HAS THE CBFA COMMENTED AS TO THEIR ACCURACY OR ADEQUACY OR RECOMMENDED THE PURCHASE OF THE BONDS. NOR WILL THE CBFA SO COMMENT OR RECOMMEND.

NEITHER THIS PRIVATE PLACEMENT OFFICIAL STATEMENT NOR ANY OTHER OFFERING MATERIAL RELATING TO THE BONDS MAY BE DISTRIBUTED, DIRECTLY OR INDIRECTLY, TO ANY INVESTORS IN CIRCUMSTANCES WHICH WOULD REQUIRE THE PUBLICATION BY THE ISSUER OF A PROSPECTUS, INFORMATION CIRCULAR, BROCHURE OR SIMILAR DOCUMENT PURSUANT TO ARTICLE 3 OF THE BELGIAN LAW OF 16 JUNE 2006 ON PUBLIC OFFERINGS OF INVESTMENT INSTRUMENTS AND THE ADMISSION OF INVESTMENT INSTRUMENTS TO TRADING ON A REGULATED MARKET.

FURTHERMORE, NONE OF THE BONDS MAY BE SOLD OR OFFERED FOR SALE TO CONSUMERS AS SUCH TERM IS DEFINED IN THE BELGIAN LAW DATED 14 JULY 1991 ON COMMERCIAL PRACTICES AND THE INFORMATION AND PROTECTION OF CONSUMERS.

THIS PRIVATE PLACEMENT OFFICIAL STATEMENT AND ANY OTHER OFFERING MATERIAL RELATING TO THE BONDS THAT YOU MAY RECEIVE IS INTENDED FOR YOUR CONFIDENTIAL USE ONLY, AND MAY NOT BE REPRODUCED OR USED FOR ANY OTHER PURPOSE. ANY ACTION CONTRARY TO THESE RESTRICTIONS MAY CAUSE YOU AND US TO BE IN VIOLATION OF THE BELGIAN SECURITIES LAWS.

BRAZIL

THE BONDS MAY NOT BE OFFERED OR SOLD TO THE PUBLIC IN BRAZIL. ACCORDINGLY, THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE BRAZILIAN SECURITIES AND EXCHANGE COMMISSION (COMISSÃO DE VALORES MOBILIÁRIOS, THE "CVM"), NOR HAS IT BEEN SUBMITTED TO THE CVM FOR APPROVAL. THIS OFFICIAL STATEMENT RELATING TO THE BONDS, AS WELL AS THE INFORMATION CONTAINED HEREIN, MAY NOT BE SUPPLIED TO THE PUBLIC IN BRAZIL, AS THE OFFERING OF BONDS IS NOT A PUBLIC OFFERING OF SECURITIES IN BRAZIL, NOR USED IN CONNECTION WITH ANY OFFER FOR SUBSCRIPTION OR SALE OF SECURITIES TO THE

PUBLIC IN BRAZIL. THE ISSUER MAY BE ASKED BY THE PURCHASER TO COMPLY WITH PROCEDURAL REQUIREMENTS TO EVIDENCE PREVIOUS TITLE TO THE BONDS AND MAY BE SUBJECT TO BRAZILIAN TAX ON CAPITAL GAINS WHICH MAY BE WITHHELD FROM THE SALE PRICE. PERSONS WISHING TO OFFER OR ACQUIRE THE BONDS WITHIN BRAZIL SHOULD CONSULT WITH THEIR OWN COUNSEL AS TO THE APPLICABILITY OF THESE REGISTRATION REQUIREMENTS OR ANY EXEMPTION THEREFROM.

CYPRUS

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE A PROSPECTUS UNDER CYPRUS LAW OR REGULATION AND AS SUCH IT WILL NOT BE PUBLICLY DISTRIBUTED OR MARKETED IN CYPRUS. THIS OFFICIAL STATEMENT HAS NOT BEEN FILED OR APPROVED BY THE CYPRUS SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER CYPRIOT REGULATORY AUTHORITY AS THIS OFFICIAL STATEMENT HAS NOT BEEN PREPARED IN THE CONTEXT OF A PUBLIC OFFERING OF SECURITIES IN CYPRUS WITHIN THE MEANING OF THE CYPRUS LAW ON PUBLIC OFFERINGS AND PROSPECTUSES OR ANY EXECUTIVE ORDERS ISSUED IN CONNECTION THERETO.

DENMARK

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE A PROSPECTUS UNDER ANY DANISH LAWS OR REGULATIONS AND HAS NOT BEEN FILED WITH OR APPROVED BY THE DANISH FINANCIAL SUPERVISORY AUTHORITY AS THIS OFFICIAL STATEMENT HAS NOT BEEN PREPARED IN THE CONTEXT OF EITHER (I) A PUBLIC OFFERING OF SECURITIES IN DENMARK WITHIN THE MEANING OF THE DANISH SECURITIES TRADING ETC. ACT NO. 479/2006 AS AMENDED FROM TIME TO TIME OR ANY EXECUTIVE ORDERS ISSUED IN CONNECTION THERETO OR (II) AN OFFERING OF A COLLECTIVE INVESTMENT SCHEME COMPRISED BY THE DANISH INVESTMENT ASSOCIATION ACT NO. 55/2006 AS AMENDED FROM TIME TO TIME OR ANY EXECUTIVE ORDERS ISSUED IN CONNECTION THERETO.

ESTONIA

THIS OFFICIAL STATEMENT IS BEING DISTRIBUTED TO A LIMITED NUMBER OF PRE-SELECTED INVESTORS AND THE BONDS MAY BE OFFERED IN ESTONIA THROUGH PRIVATE PLACEMENT ONLY. THIS OFFICIAL STATEMENT IS DIRECTED ONLY TO SUCH RECIPIENTS TO WHOM IT IS DIRECTLY ADDRESSED TO. THE OFFERING OF THE BONDS HAS NOT BEEN AND SHALL NOT BE REGISTERED UNDER THE INVESTMENT FUNDS ACT (INVESTEERIMISFONDIDE SEADUS) OF ESTONIA, OR UNDER THE SECURITIES MARKET ACT (VÄÄRTPABERITURU SEADUS) OF ESTONIA, AS A PUBLIC OFFERING, AND NO OFFER OF ANY BONDS IN ESTONIA SHALL CONSTITUTE A PUBLIC OFFERING PURSUANT TO APPLICABLE ESTONIAN LAW. THE BONDS MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, TO ANY RESIDENT OF THE REPUBLIC OF ESTONIA, OR IN THE REPUBLIC OF ESTONIA, EXCEPT PURSUANT TO THE APPLICABLE ESTONIAN LAWS AND REGULATIONS. SPECIFICALLY, THE BONDS MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, TO THE PUBLIC IN THE REPUBLIC OF ESTONIA.

FINLAND

THIS OFFERING OF BONDS IS TARGETED ONLY TO A LIMITED NUMBER OF INSTITUTIONAL INVESTORS AND DOES NOT CONSTITUTE A PUBLIC OFFERING OF THE BONDS IN FINLAND. ACCORDINGLY, THIS OFFICIAL STATEMENT HAS NOT BEEN SUBMITTED TO THE FINNISH FINANCIAL SUPERVISION AUTHORITY FOR APPROVAL. THIS OFFICIAL STATEMENT MAY NOT BE USED FOR ANY PURPOSE OTHER THAN EVALUATING A POTENTIAL INVESTMENT IN THE BONDS OFFERED HEREUNDER. THE OFFICIAL STATEMENT IS SUBMITTED TO A LIMITED NUMBER OF PRESELECTED SOPHISTICATED INVESTORS AND MAY NOT BE RELEASED TO ANY OTHER PERSONS. NOTHING IN THIS OFFICIAL STATEMENT / MATERIAL / PRESENTATION MAY BE DEEMED TO CONSTITUTE ANY PROVISION OF INVESTMENT ADVICE.

FRANCE

THIS OFFERING OF BONDS IS TARGETED ONLY TO A LIMITED NUMBER OF INSTITUTIONAL INVESTORS AND DOES NOT CONSTITUTE A PUBLIC OFFERING OF THE BONDS IN FRANCE. ACCORDINGLY, THIS OFFICIAL STATEMENT HAS NOT BEEN SUBMITTED TO THE AUTORITÉ DES MARCHÉS FINANCIERS FOR APPROVAL. THIS OFFICIAL STATEMENT MAY NOT BE USED FOR ANY PURPOSE OTHER THAN EVALUATING A POTENTIAL INVESTMENT IN THE BONDS OFFERED HEREUNDER. THE OFFICIAL STATEMENT IS SUBMITTED TO A LIMITED NUMBER OF INSTITUTIONAL INVESTORS AND MAY NOT BE RELEASED TO ANY OTHER PERSONS. NOTHING IN THIS OFFICIAL STATEMENT / MATERIAL / PRESENTATION MAY BE DEEMED TO CONSTITUTE ANY PROVISION OF INVESTMENT ADVICE.

GERMANY

THE BONDS WHICH ARE THE SUBJECT OF THIS OFFICIAL STATEMENT ARE NEITHER REGISTERED FOR PUBLIC DISTRIBUTION WITH THE FEDERAL FINANCIAL SUPERVISORY AUTHORITY (BUNDESANSTALT FÜR FINANZDIENSTLEISTUNGSAUFSICHT – "BAFIN") ACCORDING TO THE GERMAN INVESTMENT ACT (INVESTMENTGESETZ) NOR LISTED ON A GERMAN EXCHANGE. NO SALES PROSPECTUS PURSUANT TO THE GERMAN INVESTMENT ACT OR THE GERMAN SECURITIES PROSPECTUS ACT (WERTPAPIERPROSPEKTGESETZ) OR THE GERMAN SALES PROSPECTUS ACT (VERKAUFSPROSPEKTGESETZ) HAS BEEN FILED WITH BAFIN.

PLEASE NOTE THE RESTRICTIONS CONCERNING INVESTORS RESIDING IN GERMANY IN THE OFFERING DOCUMENTATION. ACCORDINGLY, THE BONDS ARE ONLY OFFERED UNDER THE FOLLOWING PREREQUISITE:

GENERALLY, THE MINIMUM AMOUNT FOR EACH INVESTOR IS USD 100,000, BUT MORGAN STANLEY MAY ACCEPT IN ITS SOLE DISCRETION LESSER AMOUNTS. HOWEVER, AS FAR AS INVESTORS RESIDING IN GERMANY ARE CONCERNED, MORGAN STANLEY WILL UNDER NO CIRCUMSTANCES ACCEPT INVESTMENTS UNDER 50,000 EURO PER INVESTOR. NO VIEW ON TAXATION IS EXPRESSED. PROSPECTIVE INVESTORS IN GERMANY ARE URGED TO CONSULT THEIR OWN TAX ADVISERS AS TO THE TAX CONSEQUENCES THAT MAY ARISE FROM AN INVESTMENT IN THE BONDS.

GREECE

THE BONDS HAVE NOT BEEN APPROVED BY THE GREEK CAPITAL MARKET COMMISSION FOR DISTRIBUTION TO THE PUBLIC IN GREECE. THIS OFFICIAL STATEMENT AND THE INFORMATION CONTAINED HEREIN DOES NOT AND SHALL NOT BE DEEMED TO CONSTITUTE AN INVITATION TO THE PUBLIC IN GREECE TO PURCHASE BONDS. THE BONDS MAY NOT BE DISTRIBUTED, OFFERED OR IN ANY WAY SOLD IN GREECE EXCEPT AS PERMITTED BY GREEK LAW. THE BONDS DO NOT HAVE A GUARANTEED PERFORMANCE AND PAST RETURNS DO NOT GUARANTEE FUTURE ONES. THIS OFFERING IS EXEMPT FROM THE PROSPECTUS PUBLICATION REQUIREMENT AND THE PRIOR GREEK CAPITAL MARKET COMMISSION PERMISSION REQUIREMENT AS THE OFFERING IS ADDRESSED ONLY TO QUALIFIED INVESTORS AND THE MINIMUM INVESTMENT AMOUNT PER INVESTOR IS EUR 50,000.

HONG KONG

THE CONTENTS OF THIS OFFICIAL STATEMENT HAVE NOT BEEN REVIEWED BY ANY REGULATORY AUTHORITY IN HONG KONG. YOU ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THE OFFER. IF YOU ARE IN ANY DOUBT ABOUT ANY OF THE CONTENTS OF THIS OFFICIAL STATEMENT, YOU SHOULD OBTAIN INDEPENDENT PROFESSIONAL ADVICE.

THE BONDS MAY NOT BE OFFERED OR SOLD, BY MEANS OF ANY DOCUMENT, AND NO ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE BONDS, WHETHER IN HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE SECURITIES LAWS OF HONG KONG) OR ELSEWHERE, SHALL BE ISSUED, CIRCULATED OR DISTRIBUTED WHICH IS DIRECTED AT, OR THE

CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC IN HONG KONG OTHER THAN (I) WITH RESPECT TO THE BONDS, WHICH ARE OR ARE INTENDED TO BE DISPOSED OF ONLY TO PERSONS OUTSIDE HONG KONG OR ONLY TO "PROFESSIONAL INVESTORS" WITHIN THE MEANING OF THE SECURITIES AND FUTURES ORDINANCE (CAP. 571) OF HONG KONG ("SFO") AND ANY RULES MADE THEREUNDER OR (II) IN CIRCUMSTANCES THAT DO NOT CONSTITUTE AN INVITATION TO THE PUBLIC FOR THE PURPOSES OF THE SFO.

HUNGARY

THIS OFFICIAL STATEMENT HAS NOT BEEN AND WILL NOT BE SUBMITTED TO THE STATE SUPERVISION OF FINANCIAL ORGANIZATIONS IN HUNGARY AND THE INVESTMENT INSTRUMENTS SPECIFIED IN THIS OFFICIAL STATEMENT WILL NOT BE OFFERED IN THE REPUBLIC OF HUNGARY IN A PUBLIC OFFER AS DEFINED IN ACT NO. CXX OF 2001 ON THE CAPITAL MARKETS ("CAPITAL MARKETS ACT").

MEMBERS OF THE GENERAL PUBLIC ARE NOT ELIGIBLE TO TAKE PART IN THIS PRIVATE PLACEMENT, AS SPECIFIED IN THIS PRIVATE PLACEMENT OFFICIAL STATEMENT. THE OFFICIAL STATEMENT IS A CONFIDENTIAL OFFICIAL STATEMENT BEING MADE AVAILABLE TO SELECTED POTENTIAL INVESTORS UPON REQUEST AND THEIR EXCLUSIVE USE AND FOR THE PURPOSE OF ASSISTING IN DECIDING WHETHER SUCH SELECTED INVESTORS WISH TO PARTICIPATE IN THE PRIVATE PLACEMENT.

ICELAND

THIS OFFICIAL STATEMENT HAS BEEN ISSUED TO YOU FOR YOUR PERSONAL USE ONLY AND EXCLUSIVELY FOR THE PURPOSES OF THE OFFICIAL STATEMENT. ACCORDINGLY, THIS OFFICIAL STATEMENT MAY NOT BE USED FOR ANY OTHER PURPOSE NOR PASSED ON TO ANY OTHER PERSON IN ICELAND. THE OFFERING DESCRIBED IN THIS PROSPECTUS IS A PRIVATE PLACEMENT WITH REGARD TO ICELANDIC LAW. THE BONDS MAY NOT BE OFFERED OR SOLD BY MEANS OF THIS PROSPECTUS OR ANYWAY LATER RESOLD TO OTHER THAN ENTITIES OR PERSONS DEFINED AS QUALIFIED INVESTORS IN THE MEANING OF ITEM NO. 9 IN ARTICLE 43 OF THE ICELANDIC ACT ON SECURITIES TRANSACTIONS. ANY RESALE OF THE BONDS IN ICELAND WILL NEED TO TAKE PLACE IN ACCORDANCE WITH THE PROVISIONS OF THE ICELANDIC ACT ON SECURITIES TRANSACTIONS. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THE INVESTMENT.

IRELAND

THE OFFERING OF THE BONDS HAS NOT BEEN APPROVED BY, AND IS NOT REGULATED BY, THE IRISH FINANCIAL SERVICES REGULATORY AUTHORITY. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE OR FORM PART OF ANY OFFER OR INVITATION TO THE PUBLIC TO SUBSCRIBE FOR OR PURCHASE BONDS AND SHALL NOT BE CONSTRUED AS SUCH AND NO PERSON OTHER THAN THE PERSON TO WHOM THIS OFFICIAL STATEMENT HAS BEEN ADDRESSED OR DELIVERED SHALL BE ELIGIBLE TO SUBSCRIBE FOR OR PURCHASE BONDS. BONDS SHALL NOT BE MARKETED TO THE PUBLIC IN IRELAND WITHOUT THE PRIOR APPROVAL IN WRITING OF THE IRISH FINANCIAL SERVICES REGULATORY AUTHORITY.

THIS OFFICIAL STATEMENT IS STRICTLY PRIVATE AND CONFIDENTIAL AND SHOULD NOT BE DISSEMINATED OR CIRCULATED TO THE PUBLIC.

THIS OFFICIAL STATEMENT IS DIRECTED SOLELY TO CERTAIN INDIVIDUALS TO WHOM THEY ARE ADDRESSED (THE "INVESTOR"). THE INVESTMENTS OR INVESTMENT ACTIVITIES TO WHICH THIS OFFICIAL STATEMENT REFERS IS THE SUBJECT OF A PRIVATE INVITATION MADE BY THE ISSUER TO THE INVESTOR (THE "OFFER") AND ARE AVAILABLE SOLELY TO THE INVESTOR AND NO OTHER PERSON(S), DIRECTLY OR INDIRECTLY. OTHER THAN THE INVESTOR, THE ISSUER WILL NOT ENGAGE WITH ANY PERSON(S) IN RELATION TO THE DOCUMENTS. THE OFFER IS NOT AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THE APPLICABLE LAWS OF IRELAND AND IN

PARTICULAR SECTION 9(1)(B) OF THE UNIT TRUSTS ACT 1990 OR WITHIN THE MEANING OF REGULATION 2 OF PART I OF THE PROSPECTUS (DIRECTIVE 2003/71/EC) REGULATIONS 2005 (THE "DIRECTIVE"). THIS OFFICIAL STATEMENT HAS NOT BEEN PREPARED IN ACCORDANCE WITH THE DIRECTIVE OR ANY MEASURES MADE UNDER THAT DIRECTIVE OR THE LAWS OF IRELAND OR OF ANY EU MEMBER STATE OR EEA TREATY ADHERENT STATE THAT IMPLEMENT THAT DIRECTIVE OR THOSE MEASURES. IT HAS NOT BEEN REVIEWED, APPROVED OR AUTHORIZED BY ANY REGULATORY AUTHORITY IN IRELAND, ANY OTHER EU MEMBER STATE OR ANY EEA TREATY ADHERENT STATE AND THEREFORE MAY NOT CONTAIN ALL THE INFORMATION REQUIRED WHERE A DOCUMENT IS PREPARED PURSUANT TO THE DIRECTIVE OR THOSE LAWS.

OTHER THAN THE INVESTOR, NO PERSON(S) SHOULD RELY ON THIS OFFICIAL STATEMENT OR TAKE ANY ACTION UPON IT. IF YOU ARE NOT THE INTENDED RECIPIENT OF THIS OFFICIAL STATEMENT AND HAVE RECEIVED IT IN ERROR YOU SHOULD RETURN IT IMMEDIATELY. YOUR POSTAGE AND REASONABLE DELIVERY EXPENSES WILL BE REFUNDED.

THE ISSUER IS NOT SUPERVISED, APPROVED OR AUTHORIZED IN IRELAND BY THE IRISH FINANCIAL SERVICES REGULATORY AUTHORITY AND THE REGULATORY REQUIREMENTS WHICH IT IMPOSES ARE NOT APPLICABLE. THE BONDS ARE GOVERNED BY ARIZONA STATE LAW.

POTENTIAL INVESTORS SHOULD CONSULT A STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER FINANCIAL ADVISER AND ARE RESPONSIBLE FOR INFORMING THEMSELVES AS TO THE POSSIBLE TAX CONSEQUENCES OF AN INVESTMENT.

THE ISSUER HAS NOT MADE AND WILL NOT MAKE AN OFFER OF INTEREST TO THE PUBLIC IN IRELAND PRIOR TO THE PUBLICATION OF A PROSPECTUS IN RELATION TO AN OFFER OF INTEREST THAT HAS BEEN APPROVED BY THE IRISH FINANCIAL SERVICES REGULATORY AUTHORITY OR WHERE APPROPRIATE, APPROVED IN ANOTHER MEMBER STATE OF THE EUROPEAN UNION AND NOTIFIED TO THE IRISH FINANCIAL SERVICES REGULATORY AUTHORITY IN IRELAND, ALL IN ACCORDANCE WITH THE PROSPECTUS DIRECTIVE 2003/71/EC, THE IRISH PROSPECTUS (DIRECTIVE 2003/71/EC) REGULATIONS, 2005, AND THE INVESTMENT FUNDS, COMPANIES AND MISCELLANEOUS PROVISIONS ACT, 2005 AND ANY SUCH MARKETING IN IRELAND IS SUBJECT TO THE PRIOR APPROVAL OF THE IRISH FINANCIAL SERVICES REGULATORY AUTHORITY.

ITALY

THIS OFFERING OF THE BONDS AND THIS OFFICIAL STATEMENT HAVE NOT BEEN AUTHORIZED NOR REGISTERED PURSUANT TO ITALIAN SECURITIES LEGISLATION. THIS OFFICIAL STATEMENT IS STRICTLY PRIVATE AND CONFIDENTIAL AND ARE INTENDED ONLY FOR THE PERSONS TO WHOM THEY ARE DIRECTLY ADDRESSED. THEREFORE, THE OFFICIAL STATEMENT IS NOT DIRECTED TO THE PUBLIC NOR CAN IT BE PUBLICLY CIRCULATED IN ITALY.

THE ISSUER AND THE UNDERWRITERS HAVE REPRESENTED THEY HAVE NOT ISSUED, OFFERED, MARKETED OR SOLD THE BONDS, NOR CIRCULATED OR DISTRIBUTED ANY MARKETING OR PROMOTIONAL MATERIAL IN RELATION THERETO IN ITALY AND WILL NOT ISSUE, OFFER, MARKET OR SELL ANY BONDS, NOR CIRCULATE OR DISTRIBUTE ANY MARKETING OR PROMOTIONAL MATERIAL IN RELATION THERETO IN ITALY AND THAT ANY SALE OF THE BONDS TO RESIDENTS OF ITALY SHALL ONLY BE EFFECTED ON AN INDIVIDUAL BASIS AND AT THE INITIATIVE OF THE INVESTOR, IN ACCORDANCE WITH ALL ITALIAN SECURITIES, TAX AND EXCHANGE CONTROL AND OTHER APPLICABLE LAWS AND REGULATIONS.

ACCORDINGLY, THE BONDS MAY NOT BE ISSUED, OFFERED, MARKETED, SOLD OR DELIVERED OR MADE AVAILABLE IN ITALY, UNLESS (I) SUCH ACTIVITIES ARE CARRIED OUT BY ENTITIES DULY AUTHORIZED TO CONDUCT SUCH ACTIVITIES IN ITALY AND IN ACCORDANCE WITH APPLICABLE ITALIAN LAWS AND REGULATIONS, INCLUDING, INTER ALIA, LEGISLATIVE DECREE NO. 58 OF FEBRUARY 24, 1998 AND LEGISLATIVE DECREE NO. 385 OF SEPTEMBER 1, 1993, AS

AMENDED AND (II) ANY OTHER NOTIFICATION REQUIREMENTS, PROVISIONS OR LIMITATIONS APPLICABLE FROM TIME TO TIME ARE FULLY COMPLIED WITH.

JAPAN

THIS OFFICIAL STATEMENT AND ALL INFORMATION DISCLOSED HEREIN SHALL BE DEEMED TO BE CONFIDENTIAL INFORMATION AND IS INTENDED SOLELY FOR THE USE OF ITS INTENDED RECIPIENTS. ANY DISCLOSURE OF THE EXISTENCE OR CONTENTS OF THIS OFFICIAL STATEMENT TO THIRD-PARTIES, AND/OR ANY TRANSLATION, DUPLICATION OR REDISTRIBUTION OF THIS OFFICIAL STATEMENT IS STRICTLY PROHIBITED. BY ACCEPTING DELIVERY OF THIS OFFICIAL STATEMENT, THE INTENDED RECIPIENT AGREES AND COVENANTS WITH THE ISSUER AND MORGAN STANLEY TO RETURN THIS OFFICIAL STATEMENT AND ALL RELATED DOCUMENTS TO THE ISSUER AND MORGAN STANLEY (I) IF SAID RECIPIENT ELECTS NOT TO PURCHASE ANY OF THE BONDS OFFERED OR (II) IF REQUESTED BY THE ISSUER OR THE UNDERWRITERS.

THE INTENDED RECIPIENT UNDERSTANDS AND ACKNOWLEDGES THAT UPON PURCHASING OF THE BONDS, NEITHER THE RETURN OF THE PRINCIPAL AMOUNT NOR THE DISTRIBUTION OF ANY PROFIT IS GUARANTEED. ANY INVESTMENT IN THE BONDS INVOLVES CERTAIN RISKS OF LOSS, INCLUDING BUT NOT LIMITED TO RISKS CAUSED BY FLUCTUATIONS IN INTEREST RATES, CURRENCY AND OTHER MARKET FACTORS, OR THE CREDIT RISK OF OTHER PARTIES OR AFFILIATED PARTIES THEREOF. ANY PERSON INTERESTED IN PURCHASING THE BONDS IS ADVISED TO READ THE TERMS OF INVESTMENT CAREFULLY, PAYING PARTICULAR ATTENTION TO THOSE PROVISIONS THAT RELATE TO LIMITATIONS ON THE PERIOD IN WHICH RIGHTS RELATING TO SUCH INVESTMENT CAN BE EXERCISED.

THIS SOLICITATION OF AN OFFER OF ACQUISITION RELATING TO ISSUANCE OF THE BONDS FALLS WITHIN THE "SOLICITATION FOR SMALL NUMBER INVESTORS, ETC.," AS DEFINED UNDER PARAGRAPH 3, ARTICLE 23-13 OF THE FINANCIAL INSTRUMENTS AND EXCHANGE LAW OF JAPAN (LAW NO. 25 OF 1948, AS AMENDED, THE "FIEL"); AND NO SECURITIES REGISTRATION STATEMENT, PURSUANT TO THE PROVISIONS OF PARAGRAPH 1 OF ARTICLE 4 OF THE FIEL, HAS BEEN FILED OR WILL BE FILED REGARDING THIS SOLICITATION OF AN OFFER. THE BONDS FALL WITHIN THE RIGHTS SET FORTH IN ITEM 6, PARAGRAPH 2, ARTICLE 2 OF THE FIEL.

THE ISSUER AND THE UNDERWRITERS MAY ONLY SOLICIT OFFER OF ACQUISITION RELATING TO ISSUANCE OF THE INTEREST TO INVESTORS IN JAPAN WHO DO NOT FALL UNDER (I), (RO) AND (HA) OF ITEM 1, PARAGRAPH 1, ARTICLE 63 OF THE FIEL ("JAPAN INVESTORS") AND IS PROHIBITED FROM MAKING SUCH SOLICITATION TO INVESTORS IN JAPAN OTHER THAN THE JAPAN INVESTORS.

IF A JAPAN INVESTOR WHO ACQUIRES OR PURCHASES THE BONDS IS A QUALIFIED INSTITUTIONAL INVESTOR AS DEFINED IN ITEM 1, PARAGRAPH 3, ARTICLE 2 OF THE FIEL ("QII"), THE QII JAPAN INVESTOR SHALL BE PROHIBITED FROM ASSIGNING THE BONDS EVEN IF THE ISSUER OR UNDERWRITERS GIVE THEIR CONSENT TO SUCH ASSIGNMENT, EXCEPT IN CASE OF ASSIGNING THE BONDS TO ANOTHER QII.

IF A JAPAN INVESTOR WHO ACQUIRES OR PURCHASES THE BONDS IS NOT A QII ("NON-QII"), THE NON-QII JAPAN INVESTOR IS PROHIBITED FROM ASSIGNING THE BONDS EVEN IF THE ISSUER OR UNDERWRITERS GIVE THEIR CONSENT TO SUCH ASSIGNMENT, EXCEPT IN CASE OF ASSIGNING THE BONDS IN WHOLE TO ONE ASSIGNEE.

KUWAIT

THE BONDS HAVE NOT BEEN AUTHORIZED OR LICENSED FOR OFFERING, MARKETING OR SALE IN THE STATE OF KUWAIT PURSUANT TO LAW NO. 31 OF 1990, AS AMENDED, AND THE MINISTERIAL ORDER NO. 113 OF 1992, AS AMENDED, GOVERNING THE ISSUE, OFFERING AND SALE OF BONDS, AND AS SUCH SHALL NOT BE OFFERED OR SOLD IN THE STATE OF KUWAIT, EXCEPT IN COMPLIANCE WITH THE ABOVE LAW AS AMENDED, AND THE MINISTERIAL ORDER AS AMENDED. NO PRIVATE OR PUBLIC OFFERING OF THE BONDS IS BEING MADE IN THE STATE OF KUWAIT, AND NO AGREEMENT RELATING TO THE SALE OF SUCH BONDS WILL BE CONCLUDED IN THE STATE OF KUWAIT. NO MARKETING OR SOLICITATION OR INDUCEMENT ACTIVITIES ARE BEING USED TO OFFER OR MARKET SUCH BONDS IN THE STATE OF KUWAIT. INTERESTED INVESTORS FROM THE STATE OF KUWAIT WHO APPROACH US OR ANY OF THE UNDERWRITERS REALIZE THIS RESTRICTION, AND THAT THIS OFFERING AND ANY RELATED MATERIALS SHALL BE SUBJECT TO ALL APPLICABLE FOREIGN LAWS AND RULES; THEREFORE, THEY MUST NOT COPY OR DISTRIBUTE SUCH MATERIALS TO ANY OTHER PERSON.

LIECHTENSTEIN

THE BONDS ARE OFFERED TO A NARROWLY DEFINED CATEGORY OF INVESTORS, IN ALL CASES AND UNDER ALL CIRCUMSTANCES DESIGNED TO PRECLUDE A PUBLIC SOLICITATION. THIS OFFERING OFFICIAL STATEMENT MAY NOT BE REPRODUCED OR USED FOR ANY OTHER PURPOSE, NOR BE FURNISHED TO ANY OTHER PERSON OTHER THAN THOSE TO WHOM COPIES HAVE BEEN SENT.

LUXEMBOURG

THE LUXEMBOURG REGULATORY AUTHORITIES HAVE NEITHER REVIEWED NOR APPROVED THE DOCUMENTS. HAVING REGARD TO ARTICLE 76 OF THE LUXEMBOURG DECEMBER 20, 2002 LAW ON UNDERTAKINGS FOR COLLECTIVE INVESTMENT, THE BONDS ARE NOT AND MAY NOT BE OFFERED TO THE PUBLIC IN OR FROM LUXEMBOURG, AND FURTHER THEY MAY NOT BE OFFERED IN LUXEMBOURG OUTSIDE THE SCOPE OF THE EXEMPTIONS PROVIDED FOR BY ARTICLE 5 §2 OF THE LUXEMBOURG LAW OF 10 JULY 2005 ON PROSPECTUSES FOR SECURITIES. THIS OFFER HAS NOT BEEN AND MAY NOT BE ANNOUNCED TO THE PUBLIC AND OFFERING MATERIAL MAY NOT BE MADE AVAILABLE TO THE PUBLIC.

MALAYSIA*

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER OR AN INVITATION TO SUBSCRIBE FOR OR PURCHASE BONDS; THEY ARE BEING MADE AVAILABLE TO YOU BY THE UNDERWRITERS, AT YOUR REQUEST FOR INFORMATIONAL PURPOSES ONLY. THESE BONDS ARE NOT INTENDED TO BE OFFERED OR SOLD TO THE GENERAL PUBLIC OF MALAYSIA AND ACCEPTANCE OF THIS OFFER MAY ONLY BE EFFECTED BY PERSONS WHO ARE REFERRED TO AS QUALIFIED INVESTORS WITHIN THE GUIDELINES FOR THE OFFERING, MARKETING AND DISTRIBUTION OF FOREIGN FUNDS ISSUED ON 1 JULY 2007 BY THE MALAYSIAN SECURITIES COMMISSION ("GUIDELINES"), OR PERSONS IN SCHEDULE 6 AND/OR SCHEDULE 7 OF THE CMSA 2007 (AS THE CASE MAY BE). AN ACCEPTANCE OF THIS OFFER REPRESENTS THE INVESTOR IS A QUALIFIED PERSON OR ONE WHO FALLS WITHIN SCHEDULE 6 AND/OR SCHEDULE 7 OF THE CMSA 2007 (AS THE CASE MAY BE). NO INVITATION OR OFFER TO SUBSCRIBE OR PURCHASE BONDS IS MADE BY THE UNDERWRITERS OR THE ISSUER AS THE PRIOR APPROVAL OF THE SECURITIES COMMISSION HAS NOT BEEN OBTAINED AND THIS OFFICIAL STATEMENT HAS NOT BEEN DEPOSITED OR REGISTERED WITH THE SECURITIES COMMISSION IN MALAYSIA. ACCORDINGLY, NONE OF THIS OFFICIAL STATEMENT NOR ANY DOCUMENT OR OTHER MATERIAL IN CONNECTION HEREWITH SHOULD BE DISTRIBUTED AND CIRCULATED IN MALAYSIA NOR SHOULD THE BONDS BE ISSUED OR OFFERED FOR SUBSCRIPTION OR PURCHASE IN MALAYSIA.

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* Local counsel to confirm this legend is acceptable.

THE NETHERLANDS

THE BONDS MAY NOT BE OFFERED, SOLD, TRANSFERRED OR DELIVERED, DIRECTLY OR INDIRECTLY, IN THE NETHERLANDS, AS PART OF THEIR INITIAL DISTRIBUTION OR AT ANY TIME THEREAFTER, OTHER THAN:

(A) TO INDIVIDUALS OR LEGAL ENTITIES WHICH ARE CONSIDERED TO BE "QUALIFIED INVESTORS" (GEKWALIFICEERDE BELEGGERS) WITHIN THE MEANING OF SECTION 1:1 OF THE FINANCIAL SUPERVISION ACT (WET OP HET FINANCIEEL TOEZICHT, WFT);

(B) TO FEWER THAN 100 INDIVIDUALS OR LEGAL ENTITIES WITHIN THE NETHERLANDS (OTHER THAN THE "QUALIFIED INVESTORS" AS DESCRIBED ABOVE);

(C) FOR A TOTAL CONSIDERATION OF AT LEAST € 50,000 PER INVESTOR; OR

(D) IN CIRCUMSTANCES WHERE ANOTHER EXEMPTION OR DISPENSATION FROM BOTH THE PROHIBITION OF SECTION 2:65 WFT AND SECTION 5:2 WFT APPLIES UNDER EITHER SECTION 2:74 WFT IN CONJUNCTION WITH SECTION 4 OF THE EXEMPTION REGULATION WFT (VRIJSTELLINGSREGELING WFT) OR SECTION 5:3 WFT OR 5:5 WFT IN CONJUNCTION WITH SECTIONS 53, 54, OR 55 OF THE EXEMPTION REGULATION WFT.

NEITHER THE ISSUER NOR THE BONDS ARE SUBJECT TO (A) THE LICENSE REQUIREMENT UNDER THE WFT AND (B) THE SUPERVISION OF THE AUTHORITY FOR THE FINANCIAL MARKETS (AUTORITEIT FINANCIËLE MARKTEN).

NEW ZEALAND

NO PROSPECTUS HAS BEEN REGISTERED WITH THE NEW ZEALAND REGISTRAR OF COMPANIES IN ACCORDANCE WITH THE SECURITIES ACT 1978 (NEW ZEALAND) (THE "SECURITIES ACT"). ACCORDINGLY, NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING MATERIALS OR ADVERTISEMENT IN RELATION TO THE BONDS (TOGETHER, THE "OFFERING DOCUMENTS AND MATERIALS") MAY BE RECEIVED BY A PERSON IN NEW ZEALAND NOR MAY THE BONDS BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, IN NEW ZEALAND UNLESS THE FOLLOWING EXCEPTION APPLIES OR IN OTHER CIRCUMSTANCES WHERE THERE IS NO CONTRAVENTION OF THE SECURITIES ACT (OR ANY STATUTORY MODIFICATION OR RE-ENACTMENT OF, OR STATUTORY SUBSTITUTION FOR, THE SECURITIES ACT).

OFFERING DOCUMENTS AND MATERIALS MAY BE RECEIVED BY, AND BONDS MAY BE OFFERED OR SOLD TO, PERSONS:

(A) WHOSE PRINCIPAL BUSINESS IS THE INVESTMENT OF MONEY OR WHO, IN THE COURSE OF AND FOR THE PURPOSES OF THEIR BUSINESS, HABITUALLY INVEST MONEY; AND/OR

(B) WHO ARE EACH REQUIRED TO PAY A MINIMUM SUBSCRIPTION PRICE OF AT LEAST N.Z. $500,000 FOR THE BONDS BEFORE THE ALLOTMENT OF THE BONDS.

NORWAY

THIS OFFICIAL STATEMENT HAS NOT BEEN PRODUCED IN ACCORDANCE WITH THE PROSPECTUS REQUIREMENTS LAID DOWN IN THE NORWEGIAN SECURITIES TRADING ACT 2007 OR IN ACCORDANCE WITH THE PROSPECTUS REQUIREMENTS LAID DOWN IN THE NORWEGIAN SECURITIES FUND ACT 1981. THIS OFFICIAL STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY, OR REGISTERED WITH, THE OSLO STOCK EXCHANGE, KREDITTILSYNET NOR THE NORWEGIAN REGISTRY OF BUSINESS ENTERPRISES.

THE OFFER TO PARTICIPATE IN THE SUBSCRIPTION OF BONDS CONTAINED IN THIS OFFICIAL STATEMENT IS ONLY AND EXCLUSIVELY DIRECTED TO THE ADDRESSEES OF THIS OFFER AND CAN NOT BE DISTRIBUTED, OFFERED OR PRESENTED, EITHER DIRECTLY ON INDIRECTLY TO OTHER PERSONS OR ENTITIES DOMICILED IN NORWAY WITHOUT THE CONSENT OF THE OFFEROR.

THE PEOPLE'S REPUBLIC OF CHINA (FOR PURPOSES OF THIS OFFICIAL STATEMENT, THE PEOPLE'S REPUBLIC OF CHINA DOES NOT INCLUDE HONG KONG, MACAU, AND TAIWAN)

THE BONDS MAY NOT BE OFFERED OR SOLD DIRECTLY OR INDIRECTLY IN THE PEOPLE'S REPUBLIC OF CHINA (WHICH, FOR SUCH PURPOSES, DOES NOT INCLUDE THE HONG KONG OR MACAU SPECIAL ADMINISTRATIVE REGIONS OR TAIWAN) (THE "PRC"). THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT WILL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY BONDS WITHIN THE PRC. THIS OFFICIAL STATEMENT OR THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT HAVE NOT BEEN AND WILL NOT BE SUBMITTED TO OR APPROVED/VERIFIED BY OR REGISTERED WITH ANY RELEVANT GOVERNMENTAL AUTHORITIES IN THE PRC AND MAY NOT BE SUPPLIED TO THE PUBLIC IN THE PRC OR USED IN CONNECTION WITH ANY OFFER FOR THE SUBSCRIPTION OR SALE OF THE BONDS IN THE PRC. THE BONDS MAY ONLY BE OFFERED OR SOLD TO PRC INVESTORS THAT ARE AUTHORIZED TO ENGAGE IN THE PURCHASE OF BONDS OF THE TYPE BEING OFFERED OR SOLD. PRC INVESTORS ARE RESPONSIBLE FOR OBTAINING ALL RELEVANT GOVERNMENT REGULATORY APPROVALS/LICENSES, VERIFICATION AND/OR REGISTRATION THEMSELVES, INCLUDING, BUT NOT LIMITED TO, ANY WHICH MAY BE REQUIRED FROM THE STATE ADMINISTRATION OF FOREIGN EXCHANGE, THE CHINA SECURITIES REGULATORY COMMISSION, THE CHINA BANKING REGULATORY COMMISSION, THE CHINA INSURANCE REGULATORY COMMISSION AND OTHER REGULATORY BODIES, AND COMPLYING WITH ALL RELEVANT PRC REGULATIONS, INCLUDING, BUT NOT LIMITED TO, ANY RELEVANT FOREIGN EXCHANGE REGULATIONS AND/OR OVERSEAS INVESTMENT REGULATIONS.

PORTUGAL

THIS OFFICIAL STATEMENT IS PRIVATE AND CONFIDENTIAL AND IS FOR THE USE SOLELY OF THE PERSON TO WHOM IT IS ADDRESSED.

NO ACTION HAS BEEN TAKEN, OR IS INTENDED TO BE TAKEN, THAT WOULD CAUSE THIS DISTRIBUTION TO BE QUALIFIED UNDER PORTUGUESE SECURITIES LAW AS A PUBLIC OFFER OF SECURITIES OR, IN PARTICULAR, AS A COMMERCIALIZATION OF INVESTMENT FUNDS, PURSUANT TO DECREE LAW NO. 252/2003, DATED AS OF OCTOBER 17, 2003, AS AMENDED.

ACCORDINGLY, THIS OFFICIAL STATEMENT SHALL NOT BE MADE AVAILABLE TO THE PUBLIC, ADVERTISED IN ANY PUBLIC MANNER IN PORTUGAL OR TO PORTUGUESE RESIDENTS OR USED FOR SOLICITATION PURPOSES TO UNDETERMINED INVESTORS IN PORTUGAL.

THIS OFFICIAL STATEMENT IS BEING MADE AVAILABLE FOR INFORMATION PURPOSES AND ON A PERSONAL AND CONFIDENTIAL BASIS EXCLUSIVELY TO PORTUGUESE "QUALIFIED INVESTORS," WITHIN THE MEANING OF THE PORTUGUESE SECURITIES CODE, AND TO LESS THAN 100 DETERMINED PORTUGUESE "NON-QUALIFIED INVESTORS.

SAUDI ARABIA

THIS OFFICIAL STATEMENT MAY NOT BE DISTRIBUTED IN THE KINGDOM OF SAUDI ARABIA EXCEPT TO SUCH PERSONS AS ARE PERMITTED UNDER THE OFFERS OF SECURITIES REGULATIONS ISSUED BY THE SAUDI ARABIAN CAPITAL MARKET AUTHORITY.

THE SAUDI ARABIAN CAPITAL MARKET AUTHORITY DOES NOT MAKE ANY REPRESENTATION AS TO THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS ARISING FROM, OR INCURRED IN

RELIANCE UPON, ANY PART OF THIS OFFICIAL STATEMENT. PROSPECTIVE PURCHASERS OF THE BONDS OFFERED HEREBY SHOULD CONDUCT THEIR OWN DUE DILIGENCE ON THE ACCURACY OF THE INFORMATION RELATING TO THE BONDS. IF YOU DO NOT UNDERSTAND THE CONTENTS OF THIS OFFICIAL STATEMENT, YOU SHOULD CONSULT AN AUTHORIZED FINANCIAL ADVISER.

SINGAPORE

NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER DOCUMENT OR MATERIAL IN CONNECTION WITH ANY OFFER OF THE BONDS HAS BEEN OR WILL BE LODGED OR REGISTERED AS A PROSPECTUS WITH THE MONETARY AUTHORITY OF SINGAPORE ("MAS") UNDER THE SECURITIES AND FUTURES ACT (CAP.289) OF SINGAPORE ("SFA"). ACCORDINGLY, THE MAS ASSUMES NO RESPONSIBILITY FOR THE CONTENTS OF THIS OFFICIAL STATEMENT. THIS OFFICIAL STATEMENT IS NOT A PROSPECTUS AS DEFINED IN THE SFA AND STATUTORY LIABILITY UNDER THE SFA IN RELATION TO THE CONTENTS OF PROSPECTUSES WOULD NOT APPLY.

THIS OFFICIAL STATEMENT AND ANY OTHER DOCUMENTS OR MATERIALS IN CONNECTION WITH THIS OFFER AND THE BONDS MAY NOT BE DIRECTLY OR INDIRECTLY ISSUED, CIRCULATED OR DISTRIBUTED, NOR MAY THE BONDS BE OFFERED OR SOLD, OR BE MADE THE SUBJECT OF AN INVITATION FOR SUBSCRIPTION OR PURCHASE, WHETHER DIRECTLY OR INDIRECTLY, TO PERSONS IN SINGAPORE OTHER THAN (I) TO AN INSTITUTIONAL INVESTOR UNDER SECTION 274 OF THE SFA; (II) TO A RELEVANT PERSON (AS DEFINED IN SECTION 275(2) OF THE SFA) PURSUANT TO SECTION 275(1) OF THE SFA; (III) TO ANY PERSON PURSUANT TO THE CONDITIONS OF SECTION 275(1A) OF THE SFA; OR (IV) OTHERWISE PURSUANT TO, AND IN ACCORDANCE WITH, THE CONDITIONS OF ANY OTHER APPLICABLE PROVISIONS OF THE SFA.

ANY SUBSEQUENT OFFERS IN SINGAPORE OF THE BONDS ACQUIRED PURSUANT TO AN INITIAL OFFER MADE IN RELIANCE ON AN EXEMPTION UNDER SECTION 274 OF THE SFA OR SECTION 275 OF THE SFA MAY ONLY BE MADE, PURSUANT TO THE REQUIREMENTS OF SECTION 276 OF THE SFA, FOR THE INITIAL SIX MONTH PERIOD AFTER SUCH ACQUISITION TO PERSONS WHO ARE INSTITUTIONAL INVESTORS (AS DEFINED IN SECTION 4A OF THE SFA) OR TO ACCREDITED INVESTORS AND CERTAIN OTHER PERSONS (AS SET OUT IN SECTION 275 OF THE SFA). ANY TRANSFER AFTER SUCH INITIAL SIX MONTH PERIOD IN SINGAPORE SHALL BE MADE, PURSUANT TO THE REQUIREMENTS OF SECTION 257 OF THE SFA, IN RELIANCE ON ANY APPLICABLE EXEMPTION UNDER SUBDIVISION (4) OF DIVISION 1 OF PART XIII OF THE SFA.

IN ADDITION TO THE ABOVE, PURSUANT TO THE REQUIREMENTS OF SECTION 276(3) AND 276 (4) OF THE SFA, WHERE THE BONDS ARE SUBSCRIBED OR PURCHASED UNDER SECTION 275 OF THE SFA BY A RELEVANT PERSON WHICH IS:

(A) A CORPORATION (WHICH IS NOT AN ACCREDITED INVESTOR (AS DEFINED IN SECTION 4A OF THE SFA)) THE SOLE BUSINESS OF WHICH IS TO HOLD INVESTMENTS AND THE ENTIRE SHARE CAPITAL OF WHICH IS OWNED BY ONE OR MORE INDIVIDUALS, EACH OF WHOM IS AN ACCREDITED INVESTOR; OR

(B) A TRUST (WHERE THE TRUSTEE IS NOT AN ACCREDITED INVESTOR) WHOSE SOLE PURPOSE IS TO HOLD INVESTMENTS AND EACH BENEFICIARY OF THE TRUST IS AN INDIVIDUAL WHO IS AN ACCREDITED INVESTOR,

SECURITIES (AS DEFINED IN SECTION 239(1) OF THE SFA) OF THAT CORPORATION OR THE BENEFICIARIES' RIGHTS AND INTERESTS (HOWSOEVER DESCRIBED) IN THAT TRUST SHALL NOT BE TRANSFERRED WITHIN SIX MONTHS AFTER THAT CORPORATION OR THAT TRUST HAS ACQUIRED THE BONDS PURSUANT TO AN OFFER MADE UNDER SECTION 275 OF THE SFA EXCEPT:

(1) TO AN INSTITUTIONAL INVESTOR OR TO A RELEVANT PERSON DEFINED IN SECTION 275(2) OF THE SFA, OR TO ANY PERSON ARISING FROM AN OFFER REFERRED TO IN SECTION 275(1A) OR SECTION 276(4)(I)(B) OF THE SFA;

(2) WHERE NO CONSIDERATION IS OR WILL BE GIVEN FOR THE TRANSFER;

(3) WHERE THE TRANSFER IS BY OPERATION OF LAW; OR

(4) WHERE THE BONDS WERE PREVIOUSLY OFFERED AND MADE IN OR ACCOMPANIED BY A PROSPECTUS AND WHICH ARE OF THE SAME CLASS AS OTHER SECURITIES OF A CORPORATION LISTED ON THE SINGAPORE EXCHANGE BONDS TRADING LIMITED.

SPAIN

THE OFFER OF BONDS HAS NOT BE REGISTERED WITH AND AUTHORIZED BY THE SPANISH SECURITIES COMMISSION. ACCORDINGLY, NO BONDS MAY BE OFFERED OR SOLD IN THE KINGDOM OF SPAIN NOR ANY DOCUMENT OR OFFER MATERIAL BE DISTRIBUTED IN SPAIN OR TARGETED AT SPANISH RESIDENTS SAVE IN COMPLIANCE AND IN ACCORDANCE WITH THE REQUIREMENTS SET OUT IN LAW 35/2003 AND THE REGULATION ISSUED THEREUNDER.

SWEDEN

NEITHER THE ISSUER NOR THE UNDERWRITER IS AUTHORISED UNDER THE SWEDISH INVESTMENT FUNDS ACT. THE BONDS ARE BEING OFFERED TO A LIMITED NUMBER OF INSTITUTIONAL INVESTORS AND THEREFORE THIS OFFICIAL STATEMENT HAS NOT BEEN, AND WILL NOT BE, REGISTERED WITH THE SWEDISH FINANCIAL SUPERVISORY AUTHORITY UNDER THE SWEDISH FINANCIAL INSTRUMENTS TRADING ACT (1991:980). ACCORDINGLY, THIS OFFICIAL STATEMENT MAY NOT BE MADE AVAILABLE, NOR MAY THE BONDS OTHERWISE BE MARKETED AND OFFERED FOR SALE IN SWEDEN, OTHER THAN IN CIRCUMSTANCES WHICH ARE DEEMED NOT TO BE AN OFFER TO THE PUBLIC IN SWEDEN UNDER THE FINANCIAL INSTRUMENTS TRADING ACT.

SWITZERLAND

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN ISSUE PROSPECTUS PURSUANT TO ART 652A OR ART 1156 OF THE SWISS CODE OF OBLIGATIONS AND THE ISSUER HAS NOT AND WILL NOT REGISTER WITH THE SWISS FEDERAL BANKING COMMISSION AS A FOREIGN INVESTMENT FUND. THE PRODUCTS WILL NOT BE LISTED ON THE SWX SWISS EXCHANGE AND, THEREFORE, THE OFFICIAL STATEMENT MAY NOT COMPLY WITH THE DISCLOSURE STANDARDS OF THE LISTING RULES OF THE SWX SWISS EXCHANGE.

ACCORDINGLY, THE PRODUCTS MAY NOT BE OFFERED TO THE PUBLIC IN OR FROM SWITZERLAND, BUT ONLY TO A SELECTED AND LIMITED CIRCLE OF INVESTORS. THE INVESTORS WILL BE INDIVIDUALLY APPROACHED BY THE ISSUER FROM TIME TO TIME. THIS OFFICIAL STATEMENT IS PERSONAL TO EACH OFFEREE AND DOES NOT CONSTITUTE AN OFFER TO ANY OTHER PERSON. THE OFFERING OFFICIAL STATEMENT MAY ONLY BE USED BY THOSE PERSONS TO WHOM IT HAS BEEN HANDED OUT IN CONNECTION WITH THE OFFER DESCRIBED THEREIN AND MAY NEITHER BE COPIED OR DIRECTLY NOR INDIRECTLY BE DISTRIBUTED OR MADE AVAILABLE TO OTHER PERSONS WITHOUT EXPRESS CONSENT OF THE ISSUER. THE OFFEREE MAY NOT SELL OR OFFER THE PRODUCTS TO ANY OTHER PERSON EXCEPT TO (I) REGULATED FINANCIAL INTERMEDIARIES (SUCH AS BANKS, SECURITIES DEALERS AND FUND MANAGEMENT COMPANIES), (II) INSURANCE COMPANIES, (III) PUBLIC ENTITIES AND PENSION FUNDS WITH PROFESSIONAL TREASURY OPERATIONS AS DEFINED BY THE PRACTICE OF THE FBC, (IV) COMPANIES WITH PROFESSIONAL TREASURY OPERATIONS AS DEFINED BY THE PRACTICE OF THE FBC, (V) HIGH NET WORTH INDIVIDUALS (INDIVIDUALS WHO HAVE CONFIRMED TO A BANK, SECURITIES DEALER, FUND MANAGEMENT COMPANY OR INDEPENDENT ASSET MANAGER IN WRITING, THAT, AT THE TIME OF PURCHASE, THEY DIRECTLY OR INDIRECTLY HOLD FINANCIAL INVESTMENTS OF TWO MILLION SWISS FRANCS), (VI) INVESTORS WHO HAVE ENTERED INTO A DISCRETIONARY MANAGEMENT AGREEMENT WITH A BANK, SECURITIES DEALER, OR FUND MANAGEMENT COMPANY OR WITH AN INDEPENDENT ASSET MANAGER SUBJECT TO THE SWISS

ANTI-MONEY LAUNDERING LEGISLATION AND TO A CODE OF CONDUCT RECOGNIZED BY THE FBC.

TAIWAN

THE BONDS ARE BEING MADE AVAILABLE IN TAIWAN ON A PRIVATE PLACEMENT BASIS ONLY TO BANKS, BILLS HOUSES, TRUST ENTERPRISES, FINANCIAL HOLDING COMPANIES AND OTHER QUALIFIED ENTITIES OR INSTITUTIONS (COLLECTIVELY, "QUALIFIED INSTITUTIONS") AND OTHER ENTITIES AND INDIVIDUALS MEETING SPECIFIC CRITERIA ("OTHER QUALIFIED INVESTORS") PURSUANT TO THE PRIVATE PLACEMENT PROVISIONS OF THE TAIWAN RULES GOVERNING OFFSHORE FUNDS. NO OTHER OFFER OR SALE OF THE BONDS IN TAIWAN IS PERMITTED. TAIWAN PURCHASERS OF THE BONDS MAY NOT SELL OR OTHERWISE DISPOSE OF THEIR HOLDINGS EXCEPT BY REDEMPTION, TRANSFER TO A QUALIFIED INSTITUTION OR OTHER QUALIFIED INVESTOR, TRANSFER BY OPERATION OF LAW OR OTHER MEANS APPROVED BY THE TAIWAN FINANCIAL SUPERVISORY COMMISSION.

THAILAND

THE BONDS WILL NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, IN THAILAND.

UNITED ARAB EMIRATES

THE BONDS OFFERED ARE NOT REGULATED UNDER THE LAWS OF THE UNITED ARAB EMIRATES ("UAE") RELATING TO FUNDS, INVESTMENTS OR OTHERWISE. NEITHER THE ISSUER NOR THE UNDERWRITERS NOR THIS OFFICIAL STATEMENT HAS BEEN APPROVED BY THE UAE CENTRAL BANK OR ANY OTHER REGULATORY AUTHORITY IN THE UAE. THIS OFFICIAL STATEMENT IS BEING DISTRIBUTED TO A LIMITED NUMBER OF SELECTED INSTITUTIONAL AND OTHER SOPHISTICATED HIGH NET WORTH INVESTORS UPON THEIR REQUEST AND CONFIRMATION THAT THEY UNDERSTAND, ACKNOWLEDGE AND AGREE THAT:

(A) THE OFFICIAL STATEMENT DOES NOT CONSTITUTE A PUBLIC OFFER OF SECURITIES IN THE UAE IN ACCORDANCE WITH THE APPLICABLE FINANCIAL SERVICES LAWS OF THE UAE AND IS NOT AN ADVERTISEMENT OR SOLICITATION TO THE GENERAL PUBLIC OF THE UAE;

(B) THE OFFICIAL STATEMENT IS STRICTLY PRIVATE AND CONFIDENTIAL AND IS INTENDED ONLY FOR THE ORIGINAL RECIPIENTS HEREOF TO WHOM THIS OFFICIAL STATEMENT IS PERSONALLY PROVIDED AND MAY NOT BE REPRODUCED OR USED FOR ANY OTHER PURPOSE;

(C) THE OFFICIAL STATEMENT IS FOR INFORMATIONAL PURPOSES ONLY AND NOTHING CONTAINED HEREIN IS INTENDED TO CONSTITUTE UAE INVESTMENT, LEGAL, TAX ACCOUNTING OR OTHER PROFESSIONAL ADVICE (YOU SHOULD CONSULT WITH AN APPROPRIATE PROFESSIONAL FOR SPECIFIC ADVICE RENDERED ON THE BASIS OF YOUR SITUATION AND CIRCUMSTANCES);

(D) THE BONDS HAVE NOT BEEN AND WILL NOT BE MARKETED FROM WITHIN THE UAE AND NO SUBSCRIPTION OF THE BONDS WILL BE CONSUMMATED WITHIN THE UAE; AND

(E) THE ISSUER AND THE UNDERWRITERS ARE NOT LICENSED TO ACT AS A BROKER OR INVESTMENT ADVISOR IN THE UAE AND DOES NOT ADVISE PERSONS RESIDENT IN THE UAE AS TO THE APPROPRIATENESS OF INVESTING IN OR PURCHASING OR SELLING SECURITIES OR OTHER FINANCIAL PRODUCTS.

THE BONDS REFERRED TO IN THIS OFFICIAL STATEMENT ARE NOT OFFERED OR INTENDED TO BE SOLD DIRECTLY OR INDIRECTLY TO THE PUBLIC IN THE UAE. FURTHER, THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT IS NOT INTENDED TO LEAD TO THE CONCLUSION OF ANY CONTRACT OF ANY NATURE WITHIN THE TERRITORY OF THE UAE.

UNITED KINGDOM

THIS OFFICIAL STATEMENT IS DISTRIBUTED BY AN AUTHORIZED ENTITY IN ACCORDANCE WITH SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000. OTHER PERSONS DISTRIBUTING THIS OFFICIAL STATEMENT IN, FROM OR INTO THE UNITED KINGDOM MUST SATISFY THEMSELVES THAT IT IS LAWFUL TO DO SO. THE BONDS MAY NOT BE OFFERED OR SOLD IN THE UNITED KINGDOM OTHER THAN IN ANY CIRCUMSTANCES WHICH DO NOT REQUIRE PUBLICATION BY THE ISSUER OF A PROSPECTUS PURSUANT TO SECTION 85 OF THE FINANCIAL SERVICES AND MARKETS ACT OF 2000.

SUMMARY STATEMENT

THIS SUMMARY STATEMENT IS SUBJECT IN ALL RESPECTS TO THE MORE COMPLETE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT AND SHOULD NOT BE CONSIDERED A COMPLETE STATEMENT OF THE FACTS MATERIAL TO MAKING AN INVESTMENT DECISION. THE OFFERING OF THE 2010 SERIES BONDS TO POTENTIAL INVESTORS IS MADE ONLY BY MEANS OF THE ENTIRE OFFICIAL STATEMENT. CERTAIN TERMS USED HEREIN ARE DEFINED IN THIS OFFICIAL STATEMENT.

District:

The Salt River Project Agricultural Improvement and Power District (the "District") is an agricultural improvement district, organized under the laws of the State of Arizona, which provides electric service in a 2,900 square mile service territory in parts of Maricopa, Gila and Pinal Counties in Arizona, plus mine loads in an adjacent 2,400 square mile area in Gila and Pinal Counties.

The 2010 Series Bonds:

The 2010 Series Bonds are being offered in the principal amount per maturity and bearing interest at the rates set forth on the inside cover page of this Official Statement. The 2010 Series Bonds are authorized pursuant to the Constitution and laws of the State of Arizona and in particular Title 48, Chapter 17, Article 7, Arizona Revised Statutes (the "Act") and the Supplemental Resolution dated September 10, 2001, authorizing an Amended and Restated Resolution Concerning Revenue Bonds, which became effective January 11, 2003, as amended and supplemented (the "Resolution").

Purpose of the 2010 Series A Bonds:

The 2010 Series A Bonds are being issued to finance capital improvements to the Electric System pursuant to the District's Capital Improvement Program. See "CAPITAL IMPROVEMENT PROGRAM" herein. The proceeds of the 2010 Series A Bonds also will be used to pay costs of issuing the 2010 Series A Bonds. See "PLAN OF FINANCE" and "SOURCES AND USES OF PROCEEDS" herein.

Purpose of the 2010 Series B Bonds:

The 2010 Series B Bonds are being issued to refund certain outstanding Revenue Bonds of the District and to pay costs of issuing the 2010 Series B Bonds. See "PLAN OF FINANCE" and "SOURCES AND USES OF PROCEEDS" herein.

Security for the 2010 Series Bonds:

The District has covenanted in the Resolution not to issue any bonds or other obligations or create any additional indebtedness, which will have priority over the charge and lien on the Revenues pledged to the Revenue Bonds, except for United States Government Loans hereafter incurred. The District currently has no United States Government Loans outstanding.

The District has covenanted in the Resolution to maintain the Debt Reserve Account at the Debt Reserve Requirement. At April 30, 2010 the balance in the Debt Reserve Account was approximately $81 million, which exceeded the Debt Reserve Requirement. Upon the issuance of the 2010 Series Bonds, the Debt Reserve Account will continue to exceed the Debt Reserve Requirement.

The District has covenanted in the Resolution that, among other things, it will at all times maintain rates, fees or charges sufficient for the payment of Operating Expenses of the District and to pay the Debt Service on all Revenue Bonds.

The financial statements of the District and the Salt River Valley Water Users' Association (the "Association") (together "SRP") are presented on a combined basis due to the relationship between the two. The District's revenues support the operations of the water and irrigation system. See "THE DISTRICT — General" and "— History" and "INDEPENDENT ACCOUNTANTS" for a further discussion of the relationship between the District and the Association.

The 2010 Series Bonds do not constitute general obligations of the District or obligations of the State of Arizona, and no holder of any of the 2010 Series Bonds has the right to compel the exercise of the taxing powers of the District to pay the 2010 Series Bonds or the interest thereon. See "SECURITY FOR 2010 SERIES BONDS" herein.

Outstanding Indebtedness:

As of April 30, 2010, the District had a total of $4,112,445,000 in outstanding debt, computed without deducting the unamortized bond discount/premium, consisting of $3,846,660,000 in Revenue Bonds and general fund debt of $265,795,000 consisting of $50,000,000 in promissory notes sold in the tax-exempt commercial paper market and rental payments totaling $215,795,000, plus interest, to be made by the District pursuant to a Lease Purchase Agreement with Desert Basin Independent Trust. The promissory notes and the rental payments are payable from the District's general funds and do not have a lien on Revenues of the Electric System. See "SELECTED OPERATIONAL AND FINANCIAL DATA — Additional Financial Matters" herein.

Limitation on Additional Indebtedness:

The District is authorized to issue parity Revenue Bonds upon compliance with the provisions of the Resolution. See "Appendix B — Summary of the Resolution" attached hereto. The District may also issue at any time, or from time to time, evidences of indebtedness, which are payable out of Revenues and which may be secured by a pledge of Revenues, provided, however, that such pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge of the Revenues created by the Resolution.

Authority to Set Electric Prices:

Under Arizona law, the District is authorized to set electric rates ("prices"). Although the Articles of Incorporation of the Association provide that the Secretary of the Interior may revise such prices, the Secretary of the Interior has never requested any such revision. See "ELECTRIC PRICES" herein.

Service Area:

The District's service area includes the major populated sections of Maricopa County, as well as portions of Pinal and Gila Counties. The District serves approximately 53% of the population living in the Phoenix-Mesa-Scottsdale Metropolitan Statistical Area (the "Phoenix-Mesa-Scottsdale MSA") and reached a peak load of approximately 7,138 MW in fiscal year 2010. Approximately 47.9% of fiscal year 2010 retail electric revenues were received from residential customers.

Transmission and Distribution Facilities:

The District owns transmission and distribution systems in order to deliver electricity. These systems include both overhead and underground lines with voltage levels ranging from 12kV to 500kV. In addition, the District also has acquired rights on transmission systems owned by others. See "THE ELECTRIC

SYSTEM — Existing and Future Resources" herein.

Power Supply Resources: The District's power supply resources are diversified and include generating facilities owned solely by the District, generating facilities in which the District has an ownership interest, and various power purchase contracts. See "THE ELECTRIC SYSTEM — Existing and Future Resources" herein.

Retail Competition: In 2000, the District opened its entire service area to competition in the areas of generation, billing, metering and meter reading by electricity suppliers who had been approved by the Arizona Corporation Commission ("ACC"). There has been no material adverse effect on the District as a result of such actions and there is no active retail competition within the District's service territory at this time. See "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY — Competition in Arizona — *The Arizona Corporation Commission*" herein.

Continuing Disclosure: The District has covenanted in the Resolution to provide certain financial information and operating data relating to the Electric System and to provide notices of certain occurrences of certain enumerated events, if material, pursuant to the Continuing Disclosure Agreement. See "CONTINUING DISCLOSURE" herein and "Appendix D — Form of Continuing Disclosure Agreement" attached hereto.

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SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, ARIZONA

OFFICIAL STATEMENT

RELATING TO

$716,785,000

SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS,

$500,000,000 **2010 Series A** **(Federally Taxable – Direct Payment – Build America Bonds)**	**$216,785,000** **2010 Series B** **(Tax-Exempt)**

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page and the Appendices hereto, is to furnish certain information with respect to the Salt River Project Agricultural Improvement and Power District (the "District") and its (i) Salt River Project Electric System Revenue Bonds, 2010 Series A (Federally Taxable – Direct Payment – Build America Bonds) (the "2010 Series A Bonds") and (ii) Salt River Project Electric System Revenue Bonds, 2010 Series B (the "2010 Series B Bonds," and together with the 2010 Series A Bonds, the "2010 Series Bonds") to be issued by the District. The mailing address of the District's administrative offices is The Office of the Secretary, PAB215, Post Office Box 52025, Phoenix, Arizona 85072-2025 (telephone number 602-236-5900).

The following material is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement and the Appendices hereto. Capitalized terms not defined in this introduction have the meaning ascribed thereto herein.

Authorization

Revenue Bonds, which include the 2010 Series Bonds, are authorized pursuant to the Constitution and laws of the State of Arizona and, in particular, Title 48, Chapter 17, Article 7, Arizona Revised Statutes (the "Act") and the Amended and Restated Resolution Concerning Revenue Bonds, dated as of September 10, 2001, which became effective January 11, 2003, as amended and supplemented (the "Resolution"). Prior to the delivery of the 2010 Series Bonds, the District's Board will have authorized the issuance of the 2010 Series Bonds and the District's Council will have ratified and confirmed the District's action. See "THE 2010 SERIES BONDS" herein and "Appendix B — Summary of the Resolution" attached hereto.

The purchasers of the 2010 Series Bonds, by virtue of their purchase of the 2010 Series Bonds, will consent to certain amendments to the Resolution. See "SECURITY FOR 2010 SERIES BONDS – Consent to Amendments to Resolution."

PLAN OF FINANCE

The District will issue the 2010 Series A Bonds to finance capital improvements to the Electric System pursuant to the District's Capital Improvement Program. See "CAPITAL IMPROVEMENT PROGRAM" herein. Proceeds of the 2010 Series A Bonds also will be used to pay a portion of the costs of issuance of the 2010 Series A Bonds. The District will issue the 2010 Series B Bonds to refund certain of the District's outstanding Revenue Bonds listed in Appendix F (collectively the "Refunded Bonds"). The Refunded Bonds will be redeemed on the redemption dates and at the redemption prices, as shown in Appendix F attached hereto. Proceeds of the 2010 Series B Bonds

also will be used to finance capital improvements to the Electric System pursuant to the District's Capital Improvement Program and to pay a portion of the costs of issuance of the 2010 Series B Bonds. The 2010 Series Bonds will be issued under the Resolution. See "Appendix B — Summary of the Resolution" attached hereto. See "SOURCES AND USES OF PROCEEDS" herein.

THE 2010 SERIES BONDS

General

The 2010 Series A Bonds will be issued in the principal amount of $500,000,000 and will be dated and bear interest from the date of delivery. The 2010 Series A Bonds will mature on the dates and in the principal amounts, and bear interest, payable on January 1 and July 1 of each year, commencing January 1, 2011, at the respective rates, as shown on the inside cover page of this Official Statement. The principal of, redemption price, if any, and interest on the 2010 Series A Bonds are payable by U.S. Bank National Association (the "Trustee"), and interest thereon will be payable by check mailed by the Trustee to the registered owner of each 2010 Series A Bond as of the immediately preceding December 15 or June 15.

The 2010 Series B Bonds will be issued in the principal amount of $216,785,000 and will be dated and bear interest from the date of delivery. The 2010 Series B Bonds will mature on the dates and in the principal amounts, and bear interest, payable on June 1 and December 1 of each year, commencing December 1, 2010, at the respective rates, as shown on the inside cover page of this Official Statement. The principal of, redemption price, if any, and interest on the 2010 Series B Bonds are payable by the Trustee, and interest thereon will be payable by check mailed by the Trustee to the registered owner of each 2010 Series B Bond as of the immediately preceding May 15 or November 15.

The District intends to designate the 2010 Series A Bonds as direct payment "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009, signed into law on February 17, 2009 (the "Recovery Act"). The District expects to receive a cash subsidy payment from the United States Treasury ("Treasury") pursuant to the Recovery Act equal to 35% of the interest payable on such 2010 Series A Bonds on or about each interest payment date ("Subsidy Payments"). The Subsidy Payments do not constitute a full faith and credit guarantee of the United States, but are required to be paid by the Treasury upon proper application by the District under the Recovery Act. Any cash subsidy payments received by the District will be deposited in the District's Revenue Fund and constitute a portion of the Revenues, as such terms are defined in the Resolution. The District is obligated to make all payments of principal of and interest on the 2010 Series A Bonds whether or not it receives Subsidy Payments pursuant to the Recovery Act.

The Treasury may offset any Subsidy Payments to which the District is otherwise entitled against any other liability of the District payable to the federal government, such as withholding or payroll taxes, or other penalties or interest that may be owed at any time to the federal government. Additionally, for the District to be entitled to the Subsidy Payments, the 2010 Series A Bonds issued as Build America Bonds must comply with all the requirements applicable to comparable tax-exempt obligations. The District's entitlement to receive the Subsidy Payments with respect to the 2010 Series A Bonds issued as Build America Bonds is subject to audit by the Internal Revenue Service (the "IRS"). The Internal Revenue Code of 1986, as amended (the "Code") contains broad legislative regulatory authority to prescribe such regulations and other guidance as may be necessary or appropriate to carry out the Build America Bonds provisions. No assurance is given that the Treasury will make the Subsidy Payments in the amounts to which the District believes it will be entitled, nor that such payments will be made in a timely manner. No assurance can be given that the United States Congress will not amend or repeal provisions of the Build America Bonds Program, which amendment or repeal could adversely affect the payment of the Subsidy Payments.

Book-Entry Only System

The 2010 Series Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2010 Series Bonds. Individual purchases of interests in the 2010 Series Bonds will be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof. Purchasers of such interests will not receive certificates representing their interests in the 2010 Series Bonds. So long as Cede &

Co. is the registered owner of the 2010 Series Bonds, the Trustee will make payments of principal and redemption price, if any, of and interest on the 2010 Series Bonds directly to DTC, which will remit such principal, redemption price, if any, of and interest to the Beneficial Owners (as hereinafter defined in "Appendix D — Form of Continuing Disclosure Agreement") of the 2010 Series Bonds, as described herein. See "Appendix E — Book-Entry Only System and Global Clearance Procedures" attached hereto.

Redemption

2010 Series A Bonds

Optional Redemption. The 2010 Series A Bonds are subject to redemption prior to their stated maturity dates at the election of the District, from any source of available funds, as a whole or in part and, if in part, in such order of maturity as the District shall direct (on a pro rata pass-through distribution of principal within a maturity in accordance with DTC procedures, or if DTC procedures do not allow for pro rata pass-through distribution of principal, by lot as described further under "*Selection of 2010 Series A Bonds to be Redeemed*"), on any date, at the Make-Whole Redemption Price (defined below). The Make-Whole Redemption Price will be calculated by an independent banking institution or independent financial advisor appointed by the District.

"Make-Whole Redemption Price" means for each maturity of the 2010 Series A Bonds, the greater of:

(i) 100% of the principal amount of such 2010 Series A Bonds of such maturity to be redeemed; or

(ii) the sum of the present value of the remaining scheduled payments of principal of and interest on the 2010 Series A Bonds of such maturity to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such 2010 Series A Bonds are to be redeemed, discounted to the date on which such 2010 Series A Bonds of such maturity are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (defined below) plus twenty (20) basis points, plus accrued interest on the 2010 Series A Bonds of such maturity to be so redeemed to the redemption date.

"Treasury Rate" means, with respect to any redemption date of any maturity of the 2010 Series A Bonds, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity of the applicable Comparable Treasury Issue (defined below), assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price (defined below), as calculated by the Designated Investment Banker (defined below).

"Comparable Treasury Issue" means, with respect to any redemption date for a particular 2010 Series A Bond, the Treasury security or securities selected by the Designated Investment Banker with an actual or interpolated maturity comparable to the remaining average life of the 2010 Series A Bond to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the 2010 Series A Bond to be redeemed.

"Comparable Treasury Price" means with respect to any redemption date for a particular 2010 Series A Bond:

(i) the most recent yield data for the applicable U.S. Treasury maturity index from the Federal Reserve Statistical Release H.15 Daily Update (or any comparable or successor publication) reported as of 11:00 a.m., EST, on the Valuation Date (defined below); or

(ii) if the yield described in (i) above is not reported as of such time or the yield reported as of such time is not ascertainable, the average of four Reference Treasury Dealer Quotations (defined below) for that redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all quotations obtained by the Designated Investment Banker.

"Designated Investment Banker" means one of the Reference Treasury Dealers appointed by the District.

"Reference Treasury Dealer" means an entity, specified by the District from time to time, that is a primary United States Government securities dealer in the City of New York (a "Primary Treasury Dealer"); provided, that if such entity ceases to be a Primary Treasury Dealer, the District will specify another Primary Treasury Dealer in substitution therefor.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for a particular 2010 Series A Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., EST, on the Valuation Date.

"Valuation Date" means not later than the third Business Day preceding the redemption date, but no more than forty-five (45) calendar days prior to the redemption date.

Extraordinary Optional Redemption. The 2010 Series A Bonds are subject to redemption prior to their stated maturity dates, at the election of the District, upon the occurrence of an Extraordinary Event (defined below), from any source of available funds, as a whole or in part and, if in part, in such order of maturity as the District shall direct (on a pro rata pass-through distribution of principal within a maturity in accordance with DTC procedures, or if DTC procedures do not allow for pro rata pass-through distribution of principal, by lot as described further under "*Selection of 2010 Series A Bonds to be Redeemed*"), on any date at the Extraordinary Optional Redemption Price (defined below). The Extraordinary Optional Redemption Price will be calculated by an independent banking institution or independent financial advisor appointed by the District.

"Extraordinary Optional Redemption Price" means for each maturity of the 2010 Series A Bonds the greater of:

(i) 100% of the principal amount of such 2010 Series A Bonds of such maturity to be redeemed; or

(ii) the sum of the present value of the remaining scheduled payments of principal and interest on the 2010 Series A Bonds of such maturity to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such 2010 Series A Bonds are to be redeemed, discounted on a semi-annual basis, to the date on which the 2010 Series A Bonds of such maturity are to be redeemed assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate plus one hundred (100) basis points, plus accrued interest on the 2010 Series A Bonds of such maturity to be so redeemed to the redemption date.

An Extraordinary Event will have occurred if the District determines that a material adverse change has occurred to Section 54AA or Section 6431 of the Code or there is any guidance published by the IRS or the Treasury with respect to such sections or any other determination by the IRS or the Treasury, which determination is not the result of an act or omission by the District to satisfy the requirements to receive the Subsidy Payments from the Treasury with respect to the 2010 Series A Bonds, pursuant to which the District's Subsidy Payments from the Treasury with respect to the 2010 Series A Bonds are reduced or eliminated.

Mandatory Sinking Fund Redemption. The 2010 Series A Bonds maturing on January 1, 2041 are subject to mandatory redemption prior to maturity by operation of the Debt Service Fund to satisfy the Sinking Fund Installments required by the Series Resolution, on and after January 1, 2040 at 100% of the principal amount of such 2010 Series A Bonds to be redeemed together with accrued interest up to, but not including, the redemption date. Such Sinking Fund Installments will be sufficient to redeem such 2010 Series A Bonds on the dates and in the principal amounts shown below.

Sinking Fund Payment Date (January 1)	Principal Amount
2040	$189,385,000
2041	$310,615,000*

* Payment at Maturity

The District may satisfy the Sinking Fund Installments by delivering to the Trustee, no later than 45 days in advance of the date of such Sinking Fund Installment, 2010 Series A Bonds of such maturities purchased by the District. If there is any redemption or purchase of 2010 Series A Bonds for which sinking fund installments have been established other than with amounts on deposit in the Debt Service Account, any such purchases will reduce all subsequent sinking fund installments on a pro rata basis.

Selection of 2010 Series A Bonds to be Redeemed. Whenever, by the terms of the Resolution, 2010 Series A Bonds are to be redeemed at the direction of the District, the District shall select the maturity or maturities of 2010 Series A Bonds to be redeemed. If less than all of the 2010 Series A Bonds of a maturity are called for prior redemption, the particular 2010 Series A Bonds or portions thereof to be redeemed shall be selected on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as the 2010 Series A Bonds are held in book-entry form, the selection for redemption of such 2010 Series A Bonds shall be made in accordance with the operational arrangement of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, the 2010 Series A Bonds will be selected for redemption, in accordance with DTC procedures, by lot. In connection with any optional redemption of any 2010 Series A Bonds that are term bonds subject to mandatory sinking fund redemption, the principal amount of such 2010 Series A Bonds being redeemed shall be allocated against the scheduled sinking fund redemption amounts in such manner as the District may direct and the scheduled sinking fund installments payable thereafter shall be modified as to such term 2010 Series A Bonds. In such event, the District shall provide to the Trustee a revised schedule of sinking fund installments.

The District intends that redemption allocations made by DTC will be made on a pro rata pass-through distribution of principal basis as described above. However, neither the District nor the Underwriters can provide any assurance that DTC, DTC's direct and indirect participants or any other intermediary will allocate the redemption of 2010 Series A Bonds on such basis. If the DTC operational arrangements do not allow for the redemption of the 2010 Series A Bonds on a pro rata pass-through distribution of principal basis as discussed above, then the 2010 Series A Bonds will be selected for redemption in accordance with DTC procedures, by lot.

2010 Series B Bonds

Optional Redemption. The 2010 Series B Bonds maturing on or after December 1, 2021 are subject to redemption prior to their stated maturity, at the election of the District, in whole or in part, by random selection within a maturity with the same coupon by the Trustee from maturities selected by the District, at any time on or after December 1, 2020 at the redemption price of 100% of the principal amount of the 2010 Series B Bonds, or portion thereof to be redeemed, together with accrued interest on, but not including the redemption date.

For so long as book-entry only system of registration is in effect with respect to the 2010 Series B Bonds, if less than all of the 2010 Series B Bonds of a particular maturity (and, if applicable, interest rate within a maturity) is to be redeemed, the particular Beneficial Owner(s) (as defined in Appendix E hereto) to receive payment of the redemption price with respect to beneficial ownership interests in such 2010 Series B Bonds shall be selected by DTC and the Direct Participants and/or the Indirect Participants (as defined in Appendix E hereto). See "Book-Entry Only System and Global Clearance Procedures" in Appendix E hereto.

Notice of Redemption. Notice of redemption will be given to the Bondholders by mail to the registered owners as of the date of the notice of the 2010 Series Bonds to be redeemed, postage prepaid, not less than 25 days nor more than 50 days prior to the redemption date. Notice having been given in the manner provided in the Resolution, on the redemption dates so designated, then the District's 2010 Series Bonds or portions thereof so called for redemption shall become due and payable on such redemption date at the redemption price, plus interest accrued and unpaid to, but not including, the redemption date.

Any notice of optional redemption given pursuant to the Resolution may state that it is conditional upon receipt by the Trustee of monies sufficient to pay the redemption price of the 2010 Series Bonds or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price if any condition so specified is not satisfied or if any such other event occurs. Notice of such rescission shall be given by the Trustee to the registered owners of any 2010 Series Bonds so affected as promptly as practicable upon the failure of such condition or the

occurrence of such event. Failure to give notice of redemption by mail, or any defect in such notice, will not affect the validity of the proceedings for the redemption of any other Electric System Revenue Bonds.

Registration and Transfer upon Discontinuation of Book-Entry Only System

U.S. Bank National Association will act as bond registrar ("Bond Registrar") and transfer and paying agent for the 2010 Series Bonds. If the book-entry only system were discontinued, the following provisions would apply. A 2010 Series Bond may be transferred on the bond register maintained by the Bond Registrar upon surrender of the 2010 Series Bond at the principal corporate trust office of the Bond Registrar, accompanied by a written instrument of transfer, in form satisfactory to the Bond Registrar, signed by the registered owner or a duly authorized attorney for the registered owner. Upon surrender for transfer at the principal corporate trust office of the Bond Registrar, any 2010 Series Bond may be exchanged for like 2010 Series Bonds of the same aggregate principal amount, maturity date and interest rate, of any authorized denomination. The Bond Registrar will not be obligated to transfer or exchange any 2010 Series Bonds during the 15 days preceding the date on which notice of redemption of a 2010 Series Bond is to be mailed or any 2010 Series Bond that has been called for redemption except the unredeemed portion of any 2010 Series Bond being redeemed in part.

SOURCES AND USES OF PROCEEDS

The sources and uses of funds with respect to the 2010 Series A Bonds are as follows:

Sources of Funds	
Principal Amount of 2010 Series A Bonds	$500,000,000
Total Sources of Funds	$500,000,000
Uses of Funds	
Deposit to District General Fund	$138,133,000
Construction Fund	358,711,927
Cost of Issuance (including Underwriter's Discount)	3,155,073
Total Uses of Funds	$500,000,000

The sources and uses of funds with respect to the 2010 Series B Bonds are as follows:

Sources of Funds	
Principal Amount of 2010 Series B Bonds	$216,785,000
Original Issue Premium	38,857,022
Equity Contribution	764,076
Total Sources of Funds	$256,406,098
Uses of Funds	
Deposit to Escrow Fund	$255,150,344
Cost of Issuance (including Underwriters' Discount)	1,252,301
Additional Proceeds	3,453
Total Uses of Funds	$256,406,098

SECURITY FOR 2010 SERIES BONDS

General

The Revenue Bonds, including the 2010 Series Bonds, are payable from and secured by a pledge of and lien on Revenues. Revenues are defined in the Resolution as (i) all revenues, income, rents and receipts derived by the District from the ownership and operation of the Electric System and the proceeds of any insurance covering business interruption loss relating to the Electric System and (ii) interest received on any moneys or securities (other than in the Construction Fund) held pursuant to the Resolution and paid into the Revenue Fund, but not including any such income or receipts attributable directly or indirectly to the ownership or operation of any Separately

Financed Project and not including any federal or state grant monies the receipt of which is conditioned upon their expenditure for a particular purpose.

In addition, the Revenue Bonds, including the 2010 Series Bonds, are also secured by all funds held under the Resolution. Such pledge created by the Resolution is subject only to the provisions of the Resolution permitting the application of Revenues for the purposes and upon the terms and conditions set forth in the Resolution.

The 2010 Series Bonds will not constitute general obligations of the District or obligations of the State of Arizona, and no holder of Revenue Bonds, including the 2010 Series Bonds, will ever have the right to compel any exercise of the taxing powers of the District to pay the Revenue Bonds or the interest thereon.

SRP's financial statements are presented on a combined basis. Management believes the financial information presented is not materially different from the presentation of the District on a stand-alone basis.

Consent to Amendments to Resolution

The purchasers of the 2010 Series Bonds, by virtue of their purchase of the 2010 Series Bonds, will consent to certain amendments to the Resolution (the "Proposed Amendments"). Such amendments are described in ***bold italic*** font herein under "SECURITY FOR 2010 SERIES BONDS – Debt Reserve Account," "– Rate Covenant" and "– Limitations on Additional Indebtedness" and in "APPENDIX B — Summary of the Resolution." The Proposed Amendments will become effective when the written consents of the Holders of at least two-thirds of the Bonds Outstanding have been filed with the Trustee as provided in the Resolution.

Debt Reserve Account

The Debt Reserve Account is a reserve fund for the equal benefit of all Revenue Bonds Outstanding under the Resolution. Monies in the Debt Reserve Account (except any excess over the Debt Reserve Requirement that the District may allocate and apply in the same manner as Revenues) will be used solely for the purpose of curing any deficiency in the Debt Service Fund for the payment of principal, interest or Sinking Fund Installments pursuant to the Resolution.

In the past, the District has followed the practice of depositing moneys into the Debt Reserve Account at the time of issuance of additional Revenue Bonds to equal the Debt Reserve Requirement. At April 30, 2010, the balance in the Debt Reserve Account was approximately $81 million, which exceeded the Debt Reserve Requirement. Upon issuance of the 2010 Series Bonds, the account will continue to exceed the Debt Reserve Requirement.

For purposes of calculating the Debt Reserve Requirement specified in this section, any calculation of interest on all Outstanding Bonds for any period of time shall be reduced by the amount of any Federal Subsidy that the District receives or expects to receive during such period of time relating to or in connection with such Outstanding Bonds.

Rate Covenant

The District covenants in the Resolution that it will charge and collect rates, fees and other charges for the sale of electric power and energy and other services, facilities and commodities of the Electric System as shall be required to provide revenues and income (including investment income) at least sufficient in each fiscal year for the payment of the sum of (i) Operating Expenses during such fiscal year, including reserves, if any, provided therefor in the Annual Budget for such year; (ii) an amount equal to the Aggregate Debt Service for such fiscal year; (iii) the amount, if any, to be paid during such fiscal year into the Debt Reserve Account in the Debt Service Fund; and (iv) all other charges or liens whatsoever payable out of revenues and income during such fiscal year and, to the extent not otherwise provided for, all amounts payable on Subordinated Indebtedness. See "ELECTRIC PRICES" herein.

For purposes of the calculations specified in this section: (i) any calculation of Debt Service on Outstanding Bonds for any period of time shall be reduced by the amount of any Federal Subsidy that the District receives or expects to receive during such period of time relating to or in connection with such Outstanding Bonds; and (ii) to the extent the calculation of Debt Service on Outstanding Bonds is reduced by the Federal Subsidy as provided

in clause (i) of this paragraph, any calculation of Revenues for any period of time shall be reduced by the amount of any Federal Subsidy received or expected to be received by the District with respect to or in connection with such Outstanding Bonds during such period of time.

Limitations on Additional Indebtedness

The District has covenanted in the Resolution not to issue any bonds or other obligations or create any additional indebtedness, which would have priority over the charge and lien on the Revenues pledged to the Revenue Bonds except for U.S. Government Loans hereafter incurred. The Resolution does not restrict the amount of U.S. Government Loans the District may incur, which would have a prior lien on Revenues. There are no outstanding U.S. Government Loans.

The District may issue additional parity Revenue Bonds in compliance with the Resolution if, among other things, (i) Revenues Available for Debt Service, as the same may be adjusted, of any 12 consecutive calendar months out of the 24 calendar months next preceding the issuance of such additional Revenue Bonds are not less than 1.10 times the maximum total Debt Service for any succeeding fiscal year on all Revenue Bonds that will be outstanding immediately prior to the issuance of the additional Revenue Bonds, and (ii) estimated Revenues Available for Debt Service, as the same may be adjusted, for each of the five fiscal years immediately following the issuance of such additional Revenue Bonds are not less than 1.10 times the total Debt Service for each such respective fiscal year on all Revenue Bonds outstanding immediately subsequent to the issuance of such additional Revenue Bonds.

For purposes of the calculations specified in this section: (i) any calculation of Debt Service on Outstanding Bonds for any period of time shall be reduced by the amount of any Federal Subsidy that the District receives or expects to receive during such period of time relating to or in connection with such Outstanding Bonds; and (ii) to the extent the calculation of Debt Service on Outstanding Bonds is reduced by the Federal Subsidy as provided in clause (i) of this paragraph, any calculation of Revenues for any period of time shall be reduced by the amount of any Federal Subsidy received or expected to be received by the District with respect to or in connection with such Outstanding Bonds during such period of time.

Subordinated Indebtedness

The District may, at any time, or from time to time, issue evidences of indebtedness which are payable out of Revenues and which may be secured by a pledge of Revenues provided; however, that such pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge of the Revenues, monies, securities and funds created by the Resolution. See "Appendix B — Summary of the Resolution" attached hereto.

Other Covenants

In addition to the rate covenant described above, the Resolution includes covenants by the District with respect to the sale and/or lease of the Electric System, the operation and maintenance of the Electric System, and certain other matters. See "Appendix B — Summary of the Resolution" attached hereto.

THE DISTRICT

General

The District is an agricultural improvement district organized in 1937 under the laws of the State of Arizona. It operates the Salt River Project (the "Project"), a federal reclamation project, under contracts with the Salt River Valley Water Users' Association (the "Association"), by which it assumed the obligations and assets of the Association, including its obligations to the United States of America for the care, operation and maintenance of the Project. The District owns and operates an electric system (hereinafter described) which generates, purchases, transmits and distributes electric power and energy, and provides electric service to residential, commercial, industrial and agricultural power users in a 2,900 square mile service territory in parts of Maricopa, Gila and Pinal Counties, plus mine loads in an adjacent 2,400 square mile area in Gila and Pinal Counties. The Association operates an irrigation system as the District's agent.

History

The Association, predecessor of the District, was incorporated under the laws of the Territory of Arizona in February 1903 to represent the owners and occupants of lands to be benefited by the Project, which was one of the first projects authorized under the Federal Reclamation Act of 1902. In 1904, the Association and the United States entered into a contract in which the United States agreed to construct and operate dams, power plants and other facilities incident to the operation of irrigation and power works and improvements, and the Association agreed to repay the cost thereof. Initially, the United States constructed, operated and maintained Roosevelt Dam and Granite Reef Dam, which diverted impounded water into a canal system to supply irrigation water to the irrigable lands within the Project. In 1917, the Association entered into a contract with the United States to assume the care, operation and maintenance of the Project (the "1917 Agreement").

On January 25, 1937, the District was formed to secure for the Project the rights, privileges and exemptions granted to political subdivisions of the State of Arizona. Pursuant to a contract approved by the Secretary of Interior in 1937 (the "1937 Agreement"), the Association transferred all of its right, title and interest in and to the works and facilities of the Project to the District. The District agreed to assume the debt of the Association and to issue District bonds to finance capital improvements. The Association agreed to continue to operate and maintain the water supply and irrigation system and the Electric System. In 1949, the 1937 Agreement was amended to provide that the District would assume responsibility for the construction, operation and maintenance of the Electric System and the irrigation and water supply system. The District delegated to the Association, as agent of the District, the direct operation and maintenance of the irrigation system of the Project.

The United States retains a paramount right or claim in the Project that arises from the original construction and operation of certain of the Project's electric and water facilities as a federal reclamation project. Although title to a substantial portion of the District's property, including those properties acquired pursuant to the 1917 Agreement, resides in the United States, the District possesses contractual rights to the use, possession and revenues of these properties through its agreement with the Association, the 1917 Agreement, subsequent contractual arrangements with the United States, and applicable federal reclamation law. From time to time, the Department of Interior performs audits of the Project. In addition, the District seeks approval from the Department of Interior for certain transactions such as the issuance of revenue bonds and the payment of in-lieu taxes.

Generation and sale of electrical power and energy represent the major portion of the District's investment and revenues. Following a long-standing reclamation principle, a portion of electric revenues available after the payment of Operating Expenses and Debt Service required under the Resolution is used to provide partial support for water and irrigation operations, thereby keeping water storage, distribution and delivery charges at reasonable levels.

Organization, Management and Employees

The District and the Association are each governed by a Board and a Council. The Boards establish the policies for management and the conduct of the business affairs of the District and the Association. The Councils enact and amend by-laws relating to management and act as a liaison with the landowners. The General Manager of the District has management responsibilities for both the District and the Association.

The Board of Governors of the Association, elected from among the shareholders (landowners), consists of the President and ten other members, half being elected biennially for four-year terms. The Board of Directors of the District, elected from among the electors (landowners) for four-year terms, consists of the President and fourteen other members, half being elected biennially for four-year terms. The President and Vice President are elected at large by electors of the District. Ten of the District's Board members, the President, and the Vice President are elected by votes weighted in proportion to the amount of land owned by each elector. The remaining four Board members are elected at large, with each elector (landowner) being entitled to one vote.

The Councils for the Association and the District each consist of thirty members. Three Council members from each of the ten district areas of the Association, and three Council members from each of the ten division areas of the District, are elected biennially for four-year terms. One half of each of the Association and the District Councils

are elected biennially. All Council members are elected by votes weighted in proportion to the amount of land owned by each shareholder (Association) or elector (District).

As of April 30, 2010, District and Association full-time employees (full-time equivalent) totaled approximately 4,374, including approximately 1,852 hourly employees represented by the International Brotherhood of Electrical Workers, Local 266. The present labor contracts expire on November 15, 2012.

Economic and Customer Growth in the District's Service Area

The District serves approximately 53% of the population living in the Phoenix-Mesa-Scottsdale Metropolitan Statistical Area ("Phoenix-Mesa-Scottsdale MSA"). As the governmental and economic center of Arizona, the Phoenix-Mesa-Scottsdale MSA possesses the largest percentage of the state's residents, businesses, and income. It contains approximately 66% of the state's population, and more than two-thirds of its total employment and total personal income.

Although the Phoenix-Mesa-Scottsdale MSA experienced strong economic growth from the early 1990's through 2007, the recent recession had a significant impact on the local economy. The U.S. Census Bureau estimated that the metropolitan area added about 1,085,000 people from 2000 through 2009, a compound annual growth rate of approximately 3.2%. The Census Bureau's 2009 annual growth estimate was 1.8%.

After averaging 6.2% and 5.4% in 2005 and 2006, respectively, the Phoenix-Mesa-Scottsdale MSA's job growth rate slowed to 1.6% in 2007. In 2008, the metropolitan area's employment base shrank by 2.5% in response to the recession, which was at its worst in 2009, when employment decreased by another 7.9%. By July 2010, non-farm employment in the metropolitan area had declined by 0.02% (300 jobs) on a year-over-year basis and some sectors showed signs of improvement. While the recent recession was the deepest observed in several decades, the Phoenix-Mesa-Scottsdale MSA is projected to return to a trend of long-term growth in the years ahead.

Table 1 summarizes several key economic statistics over recent years.

TABLE 1 — Historical Growth Statistics

Year	State of Arizona Population (thousands)[1]	Phx-Mesa-Scottsdale MSA Population (thousands)[1]	Phx-Mesa-Scottsdale MSA Non-Agricultural Wage & Salary Employment (thousands)[2]	Phx-Mesa-Scottsdale MSA Residential Permits[3]	Phx-Mesa-Scottsdale MSA Personal Income ($ billions)[4]
2003	5,591	3,600	1,620	54,860	108.8
2004	5,759	3,723	1,684	65,259	118.7
2005	5,975	3,885	1,788	62,617	131.6
2006	6,192	4,047	1,884	44,280	145.5
2007	6,362	4,176	1,915	37,272	153.1
2008	6,499	4,287	1,866	18,533	155.0
2009	6,596	4,364	1,720	9,272	149.6

(1) U.S. Census Bureau; numbers are estimates as of July 1st each year.
(2) Arizona Department of Commerce; 2009 revised.
(3) U.S. Census Bureau, "Housing Units Authorized by Building Permits"; 2009 preliminary.
(4) U.S. Bureau of Economic Analysis; 2009 preliminary.

While the slowdown in the metropolitan Phoenix area is most pronounced in construction and real estate, the weakness is spread across most sectors. The Phoenix-Mesa-Scottsdale MSA historically outperformed the national economy, but the recent recession is deeper locally than for the nation as a whole. Through July 2010, employment in the Phoenix-Mesa-Scottsdale MSA decreased 0.02% on a year-over-year basis, a net loss of 300 jobs.

The Phoenix-Mesa-Scottsdale MSA's unemployment rate was 8.8% in July 2010. Seasonally adjusted unemployment rates for the Phoenix-Mesa-Scottsdale MSA, Arizona, and the United States are listed below:

Comparative Unemployment Rates

	July 2010	July 2009	July 2008
Phoenix-Mesa-Scottsdale MSA	8.9%	8.8%	5.4%
Arizona	9.6%	9.4%	6.0%
United States	9.5%	9.4%	5.8%

Source: US Department of Labor, Bureau of Labor Statistics. Rates are seasonally adjusted.

While the sectors of professional and business services, trade, transportation, utilities, and government make up the majority of local employment, construction and financial activities accounted for a large percent of job growth during the real estate boom the last decade. From 2007 through the first half of 2010, this trend reversed, with job losses posted across a broad range of industries. The District expects to see continued weakness in construction and real estate, with gradual improvement in the manufacturing, financial, and business service sectors.

Phoenix-Mesa-Scottsdale MSA Employment (thousands)

Year	Natural Resources & Mining	Construction	Manufacturing	Trade, Transportation, & Utilities	Information	Financial Activities
2003	2.0	129.3	130.9	328.9	37.4	134.5
2004	2.1	141.6	131.9	340.6	34.6	138.7
2005	2.2	163.9	136.5	362.1	33.3	147.0
2006	2.7	180.1	139.9	379.5	32.4	153.4
2007	3.2	169.4	137.2	391.7	31.2	153.6
2008	3.8	139.4	129.7	383.7	31.2	147.3
2009	3.0	96.1	114.0	355.8	29.3	139.3

Year	Professional & Business Services	Education & Health Services	Leisure & Hospitality	Other Services	Government
2003	258.6	163.3	156.0	62.5	216.5
2004	273.8	173.6	161.9	64.2	220.8
2005	296.8	184.1	170.4	66.0	225.5
2006	319.2	196.3	180.5	71.0	229.2
2007	325.3	206.2	186.2	72.1	238.7
2008	309.5	217.9	184.6	73.4	246.0
2009	275.7	224.1	174.6	68.6	239.1

Source: State of Arizona, Department of Economic Security.

The Phoenix-Mesa-Scottsdale MSA is home to several corporate headquarters: US Airways Group, Inc., Republic Services Inc., AVNET, Best Western International, Insight Enterprises, PetSmart, Freeport-McMoRan, U-Haul, and Viad. In addition, The Prudential Insurance Company of America, State Farm Mutual, Sentry Insurance Co. and Southwest Airlines have regional offices in the Phoenix-Mesa-Scottsdale MSA.

While strong population growth has been the traditional driver for the commercial real estate market, the slowdown in population growth has led to increased vacancy rates. Retail space vacancy rates increased to 12.2% in the second quarter of 2010. Retail construction and net absorption slowed significantly in 2008 and 2009. The recession has raised office vacancy rates in the metropolitan area to 25.9% in the second quarter of 2010. Industrial real estate activity, which was strong in recent years, has slumped along with the decline in demand for distribution space. The industrial vacancy rate dropped slightly to 16.0% in the second quarter of 2010.

The real estate market in the Phoenix-Mesa-Scottsdale MSA has been a large driver of economic activity over the past several years. Permits for new homes hit a peak in 2004, and have retreated since then as builders cut production. Foreclosures accelerated in the region during 2008 and 2009, which created downward pressure on home prices and curbed new development.

See "SELECTED OPERATIONAL AND FINANCIAL DATA — Customers, Sales, Revenues and Expenses" herein.

Irrigation and Water Supply System

An historic and continuing justification of the Project lies in providing a stable and economic water supply. Agriculture in the plains and valleys of south-central Arizona almost wholly depends upon irrigation due to the low annual rainfall.

The Project provides the water supply for an area of approximately 248,200 acres located within the major portions of the Cities of Phoenix, Avondale, Glendale, Mesa, Tempe, Chandler, Gilbert, Peoria, Scottsdale and Tolleson.

The water supply for the water service area of the Project is primarily runoff from a watershed consisting of 13,000 square miles which is stored in six reservoirs operated by the Association, four of which are located on the Salt River and two on the Verde River. Additional water is provided by the Association's deep-well pumps located within the boundaries of the Project's water service area.

SRP acquired the Blue Ridge Reservoir (renamed C. C. Cragin Reservoir) from Phelps Dodge Corporation (now Freeport McMoRan), and immediately transferred ownership of the dam to the Bureau of Reclamation, thereby making it part of the SRP Reservoir System. Water from this relatively small 16,000 acre foot reservoir on the East Clear Creek Watershed is pumped to the Mogollon Rim where it then flows by gravity into the Verde River System. SRP intends to use the water rights associated with this reservoir to supplement Project water resources and to resolve several water supply and rights disputes with communities in the Verde River Watershed.

The available water supply is important due to its influence on the economy in the area. Since the construction of the dam and reservoir system, the Project has always had sufficient water supply to meet the demands for urban, industrial and agricultural uses within its boundaries. The District's management believes that under established water rights relating to water use and assuming a continuation of historical precipitation and usage patterns, the area within the Project water service boundaries has a dependable and assured water supply.

For some periods over the past several years, the Southwest, including the Project's watershed, has experienced serious drought conditions. Under its contingency plan to manage supply and demand in periods of water shortage, the Association has utilized increased groundwater pumping and reductions in water allocations. Additionally, during the drought, the Association has been able to supplement its water supplies through the use of water from the Central Arizona Project, which has been available for purchase or exchange. Even so, due to the severity of the drought in the Southwest, the Association reduced the allocation of water to its shareholders and to the valley cities by one-third for calendar years 2003 and 2004. In 2005, abundant winter watershed precipitation and runoff refilled reservoirs sufficiently to allow the Association to make full surface water-only deliveries to its shareholders. Winter rain and snow failed to materialize in the winter of 2006 and 2007, suggesting that drought conditions were continuing as anticipated; however, the winters of 2008 and 2009 provided abundant rain and snow which resulted in full surface water storage and deliveries to Association shareholders once again. Whether drought conditions will return in subsequent winters remains to be seen.

See "LITIGATION — Water Rights — *Verde River*" for discussion of the dispute with respect to plans of the City of Prescott and the Town of Prescott Valley to withdraw groundwater from the Big Chino Groundwater Sub-Basin.

The Association also operates about 250 wells under a permit issued by the Arizona Department of Environmental Quality ("ADEQ") pursuant to the permit program for the Arizona Pollutant Discharge Elimination System. The permit restricts the use of wells having chemical contamination above the permit levels. The number of restricted wells may vary by two or three each year as contamination plumes move or new contamination is discovered. Eleven of the 250 Association wells are not in operation for various reasons, including permit restrictions, and pursuant to a voluntary agreement to cease pumping to facilitate the study and remediation of contaminated groundwater in the area.

See "LITIGATION — Water Rights" for a discussion of additional matters relating to irrigation and water supply.

Telecommunication Facilities

The District has installed approximately 53,000 strand-miles of fiber optic cable to support communication activities for its water and electric utility operations. Approximately 60% of the available capacity in this system is surplus to its needs. The District has also acquired, through exchanges with other utilities and telecommunications carriers, other fiber optic capacity and has entered into license agreements with telecommunications carriers, such as Qwest, Integra Telecom, AT&T, Level 3 and AboveNet, among others, as well as with certain enterprise customers to market this excess capacity, and receives approximately $8.2 million per year in revenue from this activity.

Additionally, the District makes available certain electric facilities for the purpose of co-locating wireless antenna systems of commercial wireless communications service providers. The District also provides a number of related services to such service providers in conjunction with this activity. The District generated approximately $5.4 million in revenue from this activity during fiscal year 2010.

Papago Park Center

Papago Park Center is a mixed-use commercial development located on land owned by the District adjacent to its administrative offices. The District has entered into a 100-year lease of most portions of the development with Papago Park Center, Inc. ("PPCI"), a wholly-owned, incorporated, and taxable subsidiary of the District. Most of the land in Papago Park Center has been developed. Lease payments to the District were $2.24 million and $2.39 million in fiscal years 2010 and 2009, respectively.

New West Energy Corporation

In 1997, the District established a wholly-owned, taxable subsidiary, New West Energy Corporation ("New West Energy"), to market, at retail, energy available to the District that was surplus to the needs of its retail customers, and energy that might have been rendered surplus in Arizona by retail competition in the supply of generation. However, as a result of the turmoil in the western energy markets, New West Energy discontinued marketing excess energy in 2001, and is now largely inactive.

THE ELECTRIC SYSTEM

Area Served

The District provides electrical service to major populated sections of Maricopa County, as well as portions of Pinal and Gila Counties. Except the City of Mesa, which operates its own system, all of the cities within the District's service areas are served in part by the District and in part by Arizona Public Service Company ("APS"). By agreement between the District and APS, the urban areas and the adjacent suburban areas now served by the District's distribution system will continue to be so served even though the latter may be annexed to a city in the future. The District also provides power directly for mining load requirements, principally in Pinal and Gila Counties.

See "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY — Competition in Arizona" herein for a discussion of legislation permitting competition in generation service, billing, metering, and meter reading.

Projected Peak Loads and Resources

The District annually estimates its future sales of energy by taking into account customer growth, changes in customer usage patterns and historic, as well as projected, weather data. The resource portfolio is examined to determine the expected sources of power and energy that may be used to supply the estimated system requirements.

The projections in Table 2 represent the District's estimate of the most probable components of system peak loads and resources for fiscal years 2011 through 2016. The projections reflected therein are consistent with industry-wide experience and provide the basis for the District's current year operating budget, May 2010 through April 2011. However, they are based on certain assumptions that, if not realized, may adversely affect such projections. These projections are reassessed annually during the winter, as part of the District's annual budget process. If projections of economic and customer growth were to decline as a result of the current weakness in the economies of the nation or in the Phoenix-Mesa-Scottsdale MSA, the projections in Table 2 would be revised downward. See "THE DISTRICT — Economic and Customer Growth in the District's Service Area."

The projections shown in Table 2 do not reflect any sales of excess capacity other than sales pursuant to existing agreements. The resources in excess of peak load are expected to be generally gas and oil fired resources, which are the District's most expensive resources to operate.

TABLE 2 — Projected Peak Loads and Resources (MW)

	2011	2012	2013	2014	2015	2016
Annual Peak:(MW)[1][2]						
Service Territory System Requirements[3][4][5]	6,734	6,807	6,972	7,228	7,503	7,777
Sales for Resale	526	519	65	65	65	65
Demand-Side Resources[5]	(289)	(300)	(317)	(334)	(354)	(374)
Total Peak Load[6]	6,971	7,026	6,720	6,959	7,214	7,468
Resources:						
Thermal:						
Gas and/or Oil	2,845	2,845	2,845	2,845	2,845	2,845
Coal	2,210	2,202	2,191	2,194	2,194	2,194
Nuclear	688	688	688	688	688	688
Renewables[7]	277	277	279	279	279	279
Future Peaking/Intermediate Resources	0	0	0	0	0	182
Future Distributed Generation	2	4	4	4	4	4
Purchased:						
CAWCD/Navajo Surplus[8]	704	705	300	300	300	300
AEPCO – Arizona Electric Power Cooperative	100	0	0	0	0	0
TEP – Tucson Electric Power Company ("TEP")[9]	100	100	100	100	100	100
Tri-State – Tri-State Generation and Transmission Association, Inc. ("Tri-State")[10]	100	100	100	100	100	100
Coolidge Generating Station[11]	0	512	512	512	512	512
Renewable Purchases[12]	196	194	194	194	144	144
Future Renewable Purchases	0	34	84	274	324	324
Other Existing	659	257	107	32	32	32
Future Purchases	95	154	159	267	552	664
Total Resources	7,976	8,072	7,563	7,789	8,074	8,368
Total Resources in Excess of Total Peak Load	1,005	1,046	843	830	860	900
Planned Reserve Percentage[13]	16.8	16.0	13.2	12.4	12.3	12.4

(1) The forecast was updated in February 2010.

(2) Peak normally occurs in the June through September months of the prior calendar year (the beginning months of the fiscal year).

(3) Arizona law requires the District to meet all distribution area loads under 100,000 kWh, even if some retail customers elect to be served by others. No District retail customers are being served by others.

(4) Projected peak demand for electricity or retail customers does not take into account the impact of demand-side resources that would reduce demand.

(5) Demand-side resources are programs which incent behavior that results in a reduction of the expected peak demand for retail electricity of retail customers.

(6) Projected peak load for retail customers reduced by the impact of demand-side resources and increased by firm wholesale obligations (sales for resale).

(7) Renewables include owned hydro-electric generation, among other resources.

(8) Navajo Surplus is electrical capacity and energy made available to the District from the entitlement in Navajo Generating Station that the United States Bureau of Reclamation holds for the purpose of supplying the power requirements of the Central Arizona Project when such amount is surplus. The contract term extends through September 30, 2011. A new long-term contract for 300 MW has been executed that will extend the contract 20 years. The 300 MW contract extension is included in the forecast shown.

(9) An agreement is in place with TEP to extend the 100 MW long-term contract to May 31, 2016. The 100 MW contract extension is included in the forecast shown.

(10) The District has a 30-year agreement with Tri-State to purchase 100 MW of capacity from Springerville Unit 3. Commercial operation of Unit 3 began on September 1, 2006.

(11) The District has a 20-year agreement with Coolidge Power LLC to purchase approximately 551 MW of nominal capacity from the Coolidge Generating Station, which is expected to be commercially operational in May 2011. The District has an option for a 10-year extension of the agreement.

(12) Renewable purchases include SRP's federal hydro-power.

(13) Cannot be derived solely from the information set forth in Table 2.

Reserve Targets

The District plans the addition of new generation based on a 12% reserve target. Because of the restructuring of the electric utility industry and the significant financial exposure associated with carrying excess reserves, the District has decided that a 12% reserve target represents an optimal planning target that balances both economics and reliability.

Existing and Future Resources

The District has various resources available to it to provide electricity in its service area. The resources include the generating facilities owned solely by the District, generating facilities in which the District has an ownership interest, and the District's ability to enter into agreements with others to purchase power.

Economic Viability of Existing Generation Assets. The existing generation assets have been, and will continue to be, an integral part of the District's long-term resource plans. These generating stations historically have achieved high availability and low forced outage rates as compared to industry averages. This performance can largely be attributed to prudent operational and maintenance practices. Sustaining and improving this performance will be achieved by continuing a focused effort on preventative, predictive and corrective maintenance activities. By combining these practices with the ongoing application of engineering and technology improvements the District will ensure that the future economic and operational value of existing assets is maintained.

Summary of Existing Power Sources during the fiscal year ended April 30, 2010. The District's largest source of energy during the fiscal year ended April 30, 2010 was thermal generating facilities, which supplied approximately 72.0% of the District's total production. Hydroelectric generation provided approximately 3.2% of production with 1.7% coming from the District's own hydroelectric plants and 1.5% coming from purchases from the Arizona Power Authority ("APA") and the United States Department of Energy, Western Area Power Administration ("WAPA"). The remaining 24.8% came from various other purchases and renewable resources. Table 3 provides more detail on District power sources.

TABLE 3 — Fiscal Year 2010 District Power Sources

	Capability (MW)[1]	% of Total	Net Production Amount (MWh)[2]	Net Production % of Total
District Generation:				
One Hundred Percent Entitlement – Renewable Hydroelectric & Other:				
Roosevelt Dam	36	0.46%	146,967	0.43%
Mormon Flat Dam	67	0.86	134,873	0.39
Horse Mesa Dam	149	1.92	265,118	0.77
Stewart Mountain Dam	13	0.17	42,985	0.12
Canal Plant (Crosscut)	3	0.04	4,239	0.01
Canal Plant (South Consolidated)	1	0.01	1,279	0.00
Arizona Falls	1	0.01	1,985	0.01
Subtotal Hydroelectric	**270**	**3.48**	**597,446**	**1.73**
Solar	1	0.00	1,912	0.01
Fuel Cells	0[3]	0.00	956	0.00
Alternative Fuels – Tri-cities Landfill	4	0.06	17,858	0.05
Subtotal Other	**5**	**0.06**	**20,726**	**0.06**
One Hundred Percent Entitlement – Thermal				
Kyrene (Steam)	106	1.37	(831)	0.00
Kyrene (Gas Turbine)	165	2.13	2,921	0.01
Kyrene (Combined Cycle)	250	3.22	612,298	1.77
Agua Fria (Steam)	407	5.24	60,623	0.18
Agua Fria (Gas Turbine)	219	2.82	4,833	0.01
Santan Combined Cycle	1,227	15.81	3,289,792	9.53
Desert Basin Combined Cycle	577	7.43	1,077,842	3.12
Coronado Generating Station	773	9.96	5,866,621	16.99
Springerville Unit 4[10]	400[10]	0.00[10]	1,150,490	3.33
Subtotal	3,724	47.98	12,064,589	34.95
Participation Plants				
Navajo Generating Station	489	6.30	3,580,469	10.37
Four Corners Generating Station Units 4 &5	152	1.96	1,014,522	2.94
Hayden Generating Station	131	1.69	1,013,545	2.94
Craig Generating Station	248	3.20	1,890,485	5.48
Palo Verde Nuclear Generating Station	688	8.86	5,279,808	15.30
Subtotal	1,708	22.01	12,778,829	37.02
Purchases and Receipts[4]:				
Federal Hydropower – Renewable				
APA – Arizona Power Authority	46[5]	0.59%	103,208	0.30
WAPA – Colorado River Storage Project	72[6]	0.93	263,571	0.76
WAPA – Parker-Davis Dams	31	0.40	145,012	0.42
WAPA – CAWCD/Navajo Surplus	640[7]	8.25	2,278,597	6.60
AEPCO – Arizona Electric Power Cooperative	100	1.29	428,308	1.24
TEP – Tucson Electric Power Company	100	1.29	640,002	1.85
TSGT – Tri-State Generation & Transmission	100	1.29	684,631	1.98
Renewable – SWMP – Snowflake White Mountain Power (Biomass)[11]	10	0.13	73,577	0.21
Renewables – Wind Power	50	0.64	140,505	0.41
Renewables – Geothermal Power	0	0.00	0	0.00
Renewables – Other	50	0.64	82,000	0.24
Others	855[8]	11.02	4,218,713[8]	12.22
Subtotal	2,054	26.47	9,058,124	26.24
TOTAL[9]	7,761	100.00	34,519,714	100.00

(1) Load capability during summer system peak. Winter capability may be greater.
(2) Actual net production during the fiscal year ended April 30, 2010. Energy for pumped storage is not deducted.
(3) Fuel cell capacity is 250 kW.
(4) Purchase and receipt capabilities vary month to month. Listed are the capabilities for the peak month.
(5) Includes 14 MW wheeled for certain electrical/irrigation districts.
(6) Includes 17 MW wheeled for certain electrical/irrigation districts.
(7) Net of CAWCD pumping load and losses totaling 99 MW that occurred coincident with system peak.
(8) Short term purchases excluding 225 MW and 888,807 MWh of book-outs.
(9) Totals may not add correctly due to rounding.
(10) 400 MW plant placed in service December 2009; thus no capability during summer 2009.
(11) Terminated as of August 31, 2010. See "THE ELECTRIC SYSTEM – Existing and Future Resources – *Purchased Power*" for a discussion.

Desert Basin Generating Station. The District had a ten-year Power Purchase Agreement ("DBPPA") that commenced on or about November 2001 with Reliant Energy Desert Basin, LLC ("Reliant") for the purchase of 575 MW of capacity produced at the Desert Basin Generating Station ("Desert Basin") located in central Arizona. In 2003, the District acquired Desert Basin and transferred title to Desert Basin Independent Trust ("DBIT"), a Delaware statutory trust, pursuant to a Lease Purchase Agreement (the "Lease Purchase Agreement") to provide a portion of the permanent financing for Desert Basin. In a concurrent transaction, DBIT issued $282,680,000 aggregate principal amount of Certificates of Participation ("Certificates") evidencing direct undivided interests in rental payments made by the District pursuant to the Lease Purchase Agreement. A portion of the proceeds from the sale of the Certificates was used to satisfy the bridge loan used to acquire Desert Basin. The acquisition of Desert Basin resulted in the cancellation of the DBPPA and the District operates Desert Basin consistent with its other thermal resources. See "SELECTED OPERATIONAL AND FINANCIAL DATA — Additional Financial Matters" for further discussion of the financing of Desert Basin.

Santan Generating Station. In 2001, the Arizona Corporation Commission ("ACC") approved a certificate of environmental compatibility ("CEC") for a proposed expansion of the District's Santan Generating Station in the Town of Gilbert. The first of the two additional units was placed into commercial operation on April 1, 2005, and the second unit became commercial on March 1, 2006. The total combined capability of these units is a nominal 825 MW.

Jointly Owned Generation Facilities. The District has an ownership interest in six jointly owned generating facilities. However, one of the facilities, the Mohave Generating Station, is being decommissioned and no longer produces generation. The percent participation of the District and the other participants in the producing facilities is set forth in Table 4. Additional information about each facility follows Table 4. See "THE ELECTRIC SYSTEM — Existing and Future Resources — *Mohave Generating Station"* for a discussion of the status of the Mohave Generating Station.

TABLE 4 — District Participation Interests in Existing Generating Facilities[1]

	Navajo Generating Station	Four Corners Generating Station Units 4 & 5	Hayden Generating Station Unit 2	Craig Generating Station Units 1 & 2	Palo Verde Nuclear Generating Station
Project Capabilities					
Total Continuous Load Capabilities (MW)	2,250	1,570[2]	262	856	3,937[3]
Project Participants					
District	21.7	10.0	50.0	29.0	17.5
APS	14.0	15.0	—	—	29.1
Department of Water & Power, Los Angeles ("LADWP")	21.2	—	—	—	5.7
El Paso Electric Company ("El Paso")	—	7.0	—	—	15.8
Nevada Power Company ("NPC")	11.3	—	—	—	—
Platte River Power Authority	—	—	—	18.0	—
PacifiCorp	—	—	12.6	19.3	—
Public Service Company of Colorado ("PSCo")	—	—	37.4	9.7	—
Public Service Company of New Mexico ("PNM")	—	13.0	—	—	10.2
Southern California Edison Company ("SCE")	—	48.0	—	—	15.8
Southern California Public Power Authority ("SCPPA")	—	—	—	—	5.9
Tri-State	—	—	—	24.0	—
TEP	7.5	7.0	—	—	—
U.S. Bureau of Reclamation ("USBR")	24.3[4]	—	—	—	—
Total Percentage	100.0%	100.0%	100.0%	100.0%	100.0%

[1] Generally, if a default by any participant in the payment or performance of an obligation under a participation agreement continues without having been cured or without the participant having commenced and continued to cure the default, then the non-defaulting participants may suspend the right of the defaulting participant to receive its capacity entitlement. In case of default, (1) each non-defaulting participant will bear a portion of the operation and maintenance costs otherwise payable by the defaulting participant in the ratio of the non-defaulting participant's respective capacity entitlement to the total capacity entitlement of all non-defaulting participants, and (2) the defaulting participant will be liable to the non-defaulting participants for all costs incurred by the non-defaulting participants pursuant to (1) and for all costs in operating the project at a reduced level of generation brought about by the reduction of the capacity entitlement of the defaulting participant. USBR's participation interest in the Navajo Generating Station is not subject to these suspension procedures, but USBR is obligated to bear its proportionate share of the operation and maintenance costs of any defaulting participant in the Navajo Generating Station. Currently there are no defaulting participants.

[2] Amount shown is maximum capability. Normal continuous load capability is 1,500 MW.

[3] Amount shown is maximum dependable capability. Except during summer, normal continuous load capability will usually exceed 3,937 MW, MDC net (Maximum Dependable Capacity, net).

[4] The District holds legal title to this percentage of the Navajo Generating Station for the use and benefit of USBR.

Craig Generating Station Units 1 and 2. The District owns 29% of Craig Generating Station Units 1 and 2, which are operated by Tri-State. The two 428 MW coal-fired generating units commenced commercial operations in 1981 and 1979, respectively. The Craig Generating Station Units 1 and 2 are located in the Yampa Valley near the City of Craig in northwestern Colorado. The District's entitlement to power and energy from Craig Generating Station Units 1 and 2, like the power and energy from Four Corners Generating Station Units 4 and 5 ("Four Corners") and Hayden Generating Station Unit 2, is subject to a displacement arrangement with WAPA. Power and energy is delivered to WAPA and used for WAPA's customers located in Colorado, New Mexico, Utah and Wyoming. WAPA delivers a similar amount of power and energy to the District from the Glen Canyon Hydroelectric Generating Station. This is a displacement arrangement that reduces transmission investment, operating expenses and energy losses both for WAPA and for the District.

See "THE ELECTRIC SYSTEM — Existing and Future Resources — *Coal*" for comments relating to the coal supply for the Craig Generating Station Units 1 and 2.

See "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY — Environmental" for discussion concerning the determination by the State of Colorado of the Best Available Retrofit Technology ("BART") for the Craig Generating Station.

Four Corners Generating Station Units 4 and 5. The Four Corners Generating Station Units 4 and 5, operated by APS, are located on the Navajo Indian Reservation near Farmington, New Mexico. The District owns 10% of Units 4 and 5, two 785 MW (maximum capability) coal-fired generating units, which commenced commercial operations in 1969 and 1970, respectively. Coal comes from the Navajo mine located 11 miles away on the Navajo Indian Reservation.

SCE, which owns 48% of Units 4 and 5, announced in March 2010 that it plans to divest its interest in Four Corners by 2016, when the participation agreement expires.

On April 6, 2009, APS received a request from the Environmental Protection Agency ("EPA") under the New Source Review Provisions of the Clean Air Act ("CAA") seeking detailed information regarding projects at and operations of Four Corners. APS has provided initial responses to this request and is unable to predict the timing or content of the EPA's response or any resulting actions. See "LITIGATION — Environmental Issues — *New Source Review*" for discussion of the EPA's national enforcement initiative under the New Source Review Provisions of the CAA.

See "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITITY INDUSTRY — Environmental — *California"* for comments related to investments in coal-fired generating stations by California utilities.

See "THE ELECTRIC SYSTEM — Existing and Future Resources — *Coal"* for comments relating to the coal supply for the Four Corners Generating Station Units 4 and 5.

See "THE ELECTRIC SYSTEM — Environmental Matters — *Navajo Generating Station and Four Corners Generating Station Units 4 and 5*" for a discussion of administration of federal environmental laws by Indian tribes.

See "LITIGATION — Environmental Issues" for a discussion of certain Navajo environmental laws.

Hayden Generating Station Unit 2. The District owns 50% of Hayden Generating Station Unit 2, a 262 MW coal-fired generating unit, which commenced commercial operations in 1976 and is located in Hayden, Colorado. Public Service Company of Colorado ("PSCo") is the operating agent. PSCo is an operating company within Xcel Energy.

See "THE ELECTRIC SYSTEM — Existing and Future Resources — *Coal"* for comments relating to the coal supply for the Hayden Generating Station Unit 2.

Navajo Generating Station. The Navajo Generating Station ("NGS"), located on the Navajo Indian Reservation near Page in Northern Arizona, consists of three 750 MW coal-fired generating units. The units commenced commercial operations in 1974, 1975 and 1976, respectively. The facility also includes an electric railroad for fuel delivery and 500 kV transmission lines and switching stations to deliver the power and energy to the various participants. The District owns 21.7% of NGS and is the operating agent of the generating station and the railroad. The NGS coal supply is surface-mined and delivered from the Kayenta Mine, which is located on the Navajo and Hopi Indian Reservations in Northern Arizona. Peabody Western Coal Company ("Peabody") operates the mine under leases with both tribes.

The Department of Water and Power for the City of Los Angeles ("LADWP"), a participant in NGS, has announced that it will replace its coal-fired generation with generation from renewable energy sources by 2020. Further, although LADWP's contract for NGS does not expire until 2019, it announced in August 2010 its intent to sell its interest in NGS and has begun looking for a buyer.

See "THE ELECTRIC SYSTEM — Environmental Matters — *Navajo Generating Station and Four Corners Generating Station Units 4 and 5*" for a discussion of environmental considerations with respect to NGS, and administration of federal environmental laws by Indian tribes.

See "THE ELECTRIC SYSTEM — Existing and Future Resources — *Coal*" and "LITIGATION — Coal Supply" for discussions relating to the NGS coal supply, and "LITIGATION — Environmental Issues" for a discussion of certain Navajo environmental laws.

Mohave Generating Station. The District owns 20% of the Mohave Generating Station ("Mohave"), which consists of two 790 MW coal-fired units. Mohave commenced commercial operations in 1971 and is located in Clark County, Nevada, on the Colorado River. SCE is the operating agent. However, the plant suspended operations in 2005 and the participants have begun decommissioning it.

The District has replaced its share of output from Mohave with a combination of sources, including Unit 4 of the Springerville Generating Station, a 400 MW coal-fired power plant that was placed in service in December 2009.

In fiscal year 2003, the Board authorized the recovery of the balance of the District's investment in Mohave in its revenue requirements prior to the closure of the plant. In accordance with accounting standards for rate-regulated enterprises (SFAS No. 71), a regulatory asset for Mohave was established for $78.0 million during the fiscal years ended April 30, 2003, 2004 and 2005, and is being recovered over a ten-year period which began in fiscal year 2006. On April 30, 2010, the net regulatory asset for Mohave was $44.2 million.

See "LITIGATION — Coal Supply" for a discussion of the other pending issues.

See "THE ELECTRIC SYSTEM — Existing and Future Resources — *Coal*" and "LITIGATION — Coal Supply" for a discussion of matters relating to the coal supply for Mohave.

Palo Verde Nuclear Generating Station. The District owns 17.49% of the Palo Verde Nuclear Generating Station ("PVNGS"), located near Wintersburg, Arizona. APS is the project manager and operating agent. PVNGS Units 1, 2 and 3 commenced commercial operation in 1986, 1986, and 1988, respectively.

PVNGS originally consisted of three nominally sized 1,270 MW pressurized water nuclear generating units. The steam generators and low pressure turbine rotors have been replaced in all three units resulting in an increase of 65 to 71 MW net output (11 to 12 MW as the District share) in each unit. Reactor vessel heads have been replaced in Units 1 and 2 and the reactor vessel head on Unit 3 is scheduled for replacement in October 2010. This replacement will eliminate industry issues regarding alloy 600 nozzle corrosion cracking in the reactor vessel head.

See "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY — Nuclear Plant Matters" for a discussion of liability issues.

Purchased Power. The District supplies a portion of its energy and demand requirements with purchased power from several sources as shown in Table 3. In fiscal year 2010, approximately 14.0% of the District's energy requirements were met with long-term power purchases and an additional 12.2% were met with short-term purchases.

The District has multiple long-term contracts to purchase power from WAPA including a new contract executed September 28, 2007, to purchase Navajo Surplus Power with deliveries to begin June 1, 2012. Navajo Surplus Power is electrical capacity and energy made available from the entitlement in the Navajo Project which the United States Bureau of Reclamation holds for the purpose of supplying the power requirements of the Central Arizona Project when such amount is surplus. This purchase is for 300 MW during the eight super-peak hours of every day, June through August, and the term runs through September 30, 2031. This purchased power agreement is included in the "Purchased: CAWCD/Navajo Surplus" category of Table 2. The expiration dates of these contracts span the period from September 30, 2011 to September 30, 2031. In fiscal year 2010, a total of 789 MW peak capacity was available under various contracts with APA, the Colorado River Storage Project ("CRSP"), the Parker-Davis Project, and the Central Arizona Water Conservation District ("CAWCD").

The District has individual long-term power purchase contracts with AEPCO and TEP. Each contract provides for the District to purchase 100 MW of firm power. These contracts will expire in fiscal years 2011 and 2012,

respectively. The District has an agreement with TEP for a five-year extension of its contract to 2016 with a further extension to 2021, if certain conditions are met.

The District entered into a 20-year power purchase agreement with Transcanada, Coolidge Power LLC for the development, construction, and operation of a simple cycle combustion turbine electric peaking plant near Randolph, Arizona with a nominal capacity rating of approximately 551 MW. The agreement, effective May 8, 2008, is for the purchase of all the electrical capacity, energy and ancillary services available from Coolidge Generating Station, which is located in Pinal County and is expected to be commercially operational in May 2011. The District has an option for a 10-year extension of the agreement.

The District entered into a 20-year power purchase agreement with Snowflake White Mountain Power, LLC, ("Snowflake") which is a renewable energy resource near Snowflake, Arizona, utilizing biomass products to produce power. The agreement requires the District to purchase a minimum of 78,840 MWh during fiscal years 2008 through 2023 and to purchase the full energy output, approximately 20 MW, during fiscal years 2024 through 2028. The District is obligated to pay only if the facility produces power. The facility began commercial power production in June 2008. However, Snowflake was placed into receivership in April 2010, failed to meet its minimum delivery obligation to the District for the contract year ended June 9, 2010, and filed for Chapter 11 bankruptcy protection in July 2010. The agreement was terminated effective August 31, 2010 by a stipulated order approved by the court. Termination of the agreement will not have a material financial impact on the District or a material effect on the District's ability to serve its customers.

The District entered into a 20-year power purchase agreement with Dry Lake Wind, LLC, which is a renewable energy resource utilizing wind to produce power. The facility is located southwest of Holbrook, Arizona and began commercial operation in September 2009. The agreement requires the District to purchase the full output of the wind farm, up to 63 MW, during the fiscal years 2010 through 2030. The District is obligated to pay only for actual energy delivered and all the operation and maintenance expenses of the facility. There is no minimum payment obligation for this agreement.

The District also entered into a 20-year purchase power agreement with Dry Lake Wind Power II, LLC for a second renewable energy resource utilizing wind to produce power. The facility is expected to begin commercial operation in fiscal year 2011. The agreement requires the District to purchase the full output of the wind farm, approximately 64 MW, during the fiscal years 2011 through 2031. The District is obligated to pay only for actual energy delivered. There is no minimum payment obligation for this agreement.

The District entered into a 30-year purchase power agreement with Hudson Ranch Power I, LLC, which is developing a renewable energy resource utilizing geothermal heat to produce power. The facility, to be located in the Imperial Valley of California, is expected to begin commercial operation in fiscal year 2012. The agreement requires the District to purchase the full output of the facility, approximately 50 MW, during the fiscal years 2012 through 2042. The District is obligated to pay only for actual energy delivered. There is no minimum payment obligation for this agreement.

The District entered into a 20-year purchase power agreement with Lightning Dock Geothermal HI-01, LLC, which is developing a renewable energy resource in the Animas Valley in New Mexico utilizing geothermal heat to produce power. The facility is expected to begin commercial operation in fiscal year 2012. The agreement requires the District to purchase the full output of the facility, approximately 50 MW, during the fiscal years 2012 through 2032. The District is obligated to pay only for actual energy delivered. There is no minimum payment obligation for this agreement.

The District entered into a 25-year purchase power agreement with Copper Crossing LLC, which is developing a renewable energy resource utilizing solar photovoltaic panels to produce power. The facility, to be located in Florence, Arizona, is expected to begin commercial operation by June, 2011. The agreement requires the District to purchase the full output of the facility, up to 20 MW, during the fiscal years 2012 through 2037. The District is obligated to pay only for actual energy delivered. There is no minimum payment obligation for this agreement.

See "SELECTED OPERATIONAL AND FINANCIAL DATA — Customers, Sales, Revenues and Expenses — *Contractual Obligations Relating to Bonds of Other Political Subdivisions*" herein.

See "LITIGATION — Gas Supply" for a discussion of fuel supply issues.

Future Resources. The District evaluates its options for obtaining reliable resources on a lowest possible cost basis. In addition to the potential future resource options described below, the District balances short-term and long-term energy purchases, refinements to its conservation programs, building its own new generation and ventures with other plant developers to acquire the output from other plants being constructed. Arizona and many other western states have either deferred or re-examined the implementation of deregulation of the electric industry. As a result, certain merchant generators are seeking buyers for sales of power from, or purchases of, their plants, both in operation or under construction. Consistent with its acquisition of the Desert Basin Project, the District continues to evaluate these developments, which could include the acquisition of other existing generation facilities.

Springerville Generating Station. In 2001 the District entered into an agreement with UniSource Energy Development Company ("UniSource") for the joint development of two additional coal-fired generating units (Units 3 and 4), approximately 400 MW each in size, to be located at the existing Springerville (Arizona) Generating Station. Under an amendment to the agreement, dated October 20, 2003, the District entered into a 30-year power purchase agreement (the "PPA") to purchase 100 MW of capacity from Unit 3, which was developed by Tri-State and placed in service in September, 2006, beginning the 30-year term of the PPA. In addition, the District received the right to construct the fourth unit (Unit 4) at any time during the term of the PPA. Construction was completed, and the unit placed in service in December 2009, at a cost of approximately $1.0 billion. UniSource's affiliate, TEP, operates all four units. (See the "CAPITAL IMPROVEMENT PROGRAM.")

Peaking/Intermediate Generation Siting. The District has identified two locations for up to 1,500 MW of natural gas peaking/intermediate generation to be operational by 2018. The two sites are the Copper Crossing Site (formerly called the Abel Site), adjacent to the Abel Substation in northwest Florence (Arizona), and the Pinal Central Site, adjacent to the Pinal Central Substation south of Coolidge (Arizona). In addition to these two new facilities in Pinal County, the District is also considering power-purchase agreements and ownership interests in existing or new generation facilities to meet its needs.

At the Copper Crossing Site, the District plans to construct a simple-cycle peaking-power plant that can provide approximately 900 MW of summer capacity. That generating facility would become operational in stages, beginning as early as 2015. At the appropriate time, the District will seek to permit a combined-cycle intermediate power plant at the Pinal Central Site of up to 600 MW of summer capacity, which is expected to be placed in service by 2018. If the economy recovers more slowly or quickly than anticipated, the planned resources can be scaled in terms of size and timing to better meet the District's needs.

Transmission. Electricity from the District's diversified generation resource mix is delivered to customers over a complex and reliable transmission system, which is integrated into the grid that connects transmission lines in the West. The District owns transmission systems that deliver electricity from its generating resources to its loads. However, whenever it was not prudent to build a new transmission system, the District acquired contract rights on transmission systems owned by others. In addition to utilizing its transmission system to deliver electricity from its generating resources, the District uses its transmission system to access generation resources produced by others and to transmit energy for others when surplus transmission capacity is available.

In February 2006, the District entered into an agreement with various electrical districts in Pinal County, Southwest Transmission Cooperative, Inc., an Arizona non-profit rural electric cooperative and TEP (collectively the "Project Participants") for the development of a 150-mile 500kV transmission line and up to four new substations to serve the growing load in the Project Participants' respective service areas. The new 500kV transmission line originates at the Hassayampa Switchyard near PVNGS and terminates at the District's Browning Substation. The anticipated cost of the 500kV project is approximately $395 million, of which the District's share is approximately $266 million. The first 50 miles of 500kV transmission was placed in service in 2008. The in-service date for the next segment is projected to be 2014 but this section will initially be energized at 230kV starting in May of 2011 to accommodate the addition of generation resources. The final 500kV segment will also be energized in 2014.

Fuel Supply. The District's projected use of fuel and other energy sources by type is shown on the following table, which summarizes the District's various sources of energy assuming the most efficient utilization of the facilities expected to be available for the dates indicated.

TABLE 5 — Summary of Projected Energy Sources
(expressed as a percentage of total sources)

Fiscal Year Ending April 30,	Hydro/ Sustainable[1]	Gas/Oil	Coal	Nuclear	Renewables/ Sustainable[2]	Long-Term Purchases	Other
2011	3.0%	6.6%	52.4%	17.9%	3.9%	12.1%	4.0%
2012	2.9%	9.6%	53.5%	18.5%	6.9%	7.0%	1.6%
2013	2.8%	12.8%	53.7%	17.7%	8.1%	3.8%	1.1%
2014	2.7%	12.9%	51.5%	17.1%	11.4%	3.7%	0.7%
2015	2.6%	13.3%	50.1%	16.7%	12.7%	3.9%	0.7%
2016	2.6%	15.0%	48.7%	16.0%	13.4%	3.7%	0.7%

[1] Includes Federal Hydro Purchases; Hydro resources are included in SRP's Sustainable Portfolio.
[2] Includes renewable energy purchases, renewable resources, energy efficiency and demand response.

Coal. Hayden Generating Station Unit 2, NGS, Four Corners, and Craig Generating Station Units 1 and 2 are coal-fired generating units. The coal supply contract for Four Corners has been extended to July 2016. The coal supply contract for NGS will expire in April 2011 and for the Hayden Generating Station in December 2011. The two coal supply contracts for the Craig Generating Station expire July 1, 2014 and December 31, 2017. In the past, approximately 30% of the requirements were purchased through annual spot market solicitations. This portion of the supply has been acquired through a contract that will expire in December 2020. The District believes it will be able to obtain coal from these or other sources for the remainder of the depreciable life of each plant. The District has entered into a coal supply contract for Springerville Unit 4 which began in 2009 and runs through 2012.

For calendar years 2007 through 2015, Rio Tinto Energy America, formerly known as Kennecott Energy, will provide the coal required by the Coronado Generating Station ("CGS"), up to an 81% capacity factor, with anything above that being obtained from the spot market. The District believes it can continue to meet the coal requirements for CGS.

Rio Tinto Energy America will also supply the coal requirements for building inventory, testing, and for commercial operation of Springerville 4 through 2012. The District expects to enter into a new agreement(s) for Springerville Unit 4 coal requirements beyond 2012.

The stockpiles of coal for all coal-fired generating stations are at or above acceptable levels for normal operations.

There are a number of disputes involving coal supplies for NGS and other plants in which the District has an interest. The District does not believe that these disputes will have material adverse effects on its operations or financial condition. However, final resolution of any of these disputes cannot be predicted at this time. See "LITIGATION — Coal Supply" for additional discussion of coal supply matters.

Natural Gas. The District utilizes natural gas almost exclusively to fuel its oil or gas-fired units in the Phoenix-Mesa-Scottsdale MSA and plans to continue to do so as long as natural gas remains available at costs that are economically favorable over other alternatives. The District purchases natural gas pursuant to energy risk management policies and trading strategies designed to minimize financial and operational risk while ensuring that sufficient gas is available to serve the customers of the District.

Natural gas price hedging is primarily accomplished through the use of financial instruments such as exchange-traded futures and options contracts and "over the counter" swaps and options contracts. Hedging activities focus on a rolling six year period into the future relative to the District's retail customer demand. See "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY — Competition in Arizona — *Energy Risk Management Program*" herein, for a discussion of the District's Risk Management Program.

Natural gas storage contracts are utilized to balance supply and demand as well as help manage price risk and ensure reliable delivery. Natural gas is delivered to the District's generating facilities via transportation contracts with El Paso Natural Gas Company and Transwestern Pipeline Company. Additionally, the District encourages parties to consider development of natural gas storage fields in Southern Arizona.

In October 2007, the District entered into a 30-year gas purchase agreement with the Salt Verde Financial Corporation ("SVFC"), an Arizona nonprofit corporation, to purchase approximately 20% of its projected natural gas requirements needed to serve retail customers. The District is obligated to pay only for the gas delivered under this contract. To fulfill its obligation, SVFC entered into a 30-year prepaid gas agreement with Citigroup Energy Inc. SVFC financed the purchase by the issuance of its special obligation gas revenue bonds ("Gas Revenue Bonds"). The Gas Revenue Bonds do not constitute a debt, liability or obligation of the District.

Nuclear. The nuclear fuel cycle for PVNGS is comprised of the following stages: the mining and milling of uranium ore to produce uranium concentrates; the conversion of uranium concentrates to uranium hexafluoride; the enrichment of uranium hexafluoride; the fabrication of fuel assemblies; the utilization of fuel assemblies in reactors; and the storage and disposal of spent fuel. APS, on behalf of APS, the District, EPE, SCE, PNM, SCPPA, and LADWP (the "Palo Verde Participants"), has procured under contract 100% of the materials and services required to provide uranium concentrates through the year 2011 and 65% through 2017, 100% of the requirements for conversion services through 2011 and 67% through 2017, 100% of the requirements for the enrichment services through 2013 and 40% through 2020, and 100% of the requirements for fabrication services through 2016. APS is examining uranium supplies and fuel conversion and enrichment services to reduce risks associated with any single component of the supply chain and to better position the Palo Verde Participants when the existing contracts begin to expire.

See "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY — Nuclear Plant Matters" herein, which includes further discussion on spent nuclear fuel.

Sustainable Resource Portfolio

As the nation's oldest multi-purpose federal reclamation project, the Salt River Project was founded on the principles of resource stewardship. The District acknowledges the environmental challenges associated with supplying reasonably-priced power to a growing customer base and recognizes that environmental stewardship, resource conservation and efficiency create effective partnerships with its customers. The District believes that it must pursue a portfolio of initiatives to meet current and future goals and has invested heavily in research and development. These investments include a study of technologies for capturing carbon emissions via a chilled ammonia process, a program to commercially deploy six hyper-efficient appliances and testing the means by which to enhance efficiencies of the District's transmission and distribution grid. The District has partnered with its customers to reduce greenhouse gas ("GHG") emissions and invest in renewable energy. The District offers a green pricing program called EarthWise Energy that thousands of the District's customers use to support renewable energy. The EarthWise Energy Program provides incentives for customers to install solar photovoltaic hot water systems, and the District also has a Trees for Change Program which allows customers to support tree planting. Evidence of the District's portfolio approach is the adoption by the Board of a Sustainable Portfolio Plan ("SPP"). The SPP, adopted in 2004 and amended in 2006, targets meeting 5% of expected retail energy requirements with sustainable resources through the year 2015. By 2025, the target increases to 15%. Sustainable resources are defined as all supply-side and demand-side resources that reduce reliance on traditional fossil fuels. This includes generation from renewable resources, including hydro-electric generation, as well as conservation, energy efficiency and pricing measures. The Sustainable Portfolio does not include nuclear power, but when nuclear is included, about 20% of the electricity provided by the District is produced without creating any GHG. The District is pursuing the acquisition of additional, cost-effective renewable resources and is evaluating all options including nuclear.

In addition to supply-side resources, the District has increased its investment in energy efficiency and demand response programs. Through fiscal year 2014, the District has increased its planned investment in energy efficiency by over $200 million. Examples include incentives for the construction of energy efficient homes and commercial buildings, retail partnerships to discount the cost of energy efficient appliances, an appliance recycling program that pays customers for the pick-up and recycling of inefficient refrigerators/freezers (the first of its kind in Arizona) and

new commercial programs that provide incentives for standard and customized efforts to install efficient lighting and equipment. The District's award-winning M-Power® Pre-Pay Program has received national acclaim for its conservation effect and its use of real time technology to display usage information to customers inside the home. Currently, 100,000 customers are on the program, making it the largest pre-pay program in North America. Studies have consistently demonstrated an average 12% reduction in energy usage for customers who switch to the program; an added benefit is that over 90% of customers on the program are satisfied/very satisfied with the District. Augmenting programs that conserve energy, the District is adding to its portfolio of programs that shift peak demand. The District's time-of-use ("TOU") pricing plan is one of the largest in the nation. The District Board has introduced a new pricing plan (EZ-3) designed to reduce customer load during the summer hours between 3:00 and 6:00 pm. Initial results from the program are extremely encouraging – customers who have switched from both the standard and the TOU plan have consistently reduced energy demand during on-peak hours, with minimal offsetting effects seen in the pre- and post-peak hours. The District plans to expand this program, and is also looking at launching a commercial customer demand response program. See "ELECTRIC PRICES" for further discussion of the District's TOU and M-Power® Programs.

The portfolio of initiatives referenced above, coupled with many other activities and partnerships, will help meet the District's electrical needs while addressing some of the environmental issues facing the industry. See "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY — Environmental" for further discussion.

Insurance and Liability Matters

The liability exposure of electric utilities has generally increased over time as the diversity and number of claims and resulting awards has increased. Electric utility insurance needs have increased accordingly in the areas of coverage and policy limits. In general, over the long-term, the commercial insurance market has not satisfied these increased needs. The commercial insurance market is highly cyclical, with cycles characterized by periods of increasing limits and coverage with lower deductibles, followed by periods of coverage and limit restrictions, higher deductibles and, in some cases, non-renewals or cancellations. As a result, several industry mutual companies have been formed to serve the coverage and limit requirements of the industry, and the District has placed a majority of its liability and directors and officers insurance with such mutual carriers to ensure long-term stability of its insurance programs. The District does continue to place some liability coverages in the commercial market. Additionally, in 2004 the District established SRP Captive Risk Solutions, Limited, a wholly-owned subsidiary, to provide property insurance coverage for certain acts of terrorism as originally provided by the Federal Terrorism Risk Insurance Act of 2002 and extended by the Terrorism Risk Insurance Program Reauthorization Act of 2007.

Insurance for boiler and machinery and property risks in the past was obtained primarily from the commercial market, but a portion of that coverage is being placed with industry mutual companies. The District believes it has adequate coverage and limits, although insurer competition in the commercial market has been declining due to increasing utility loss experience, consolidation of insurers and declining investment income. These factors, as well as catastrophic losses such as the destruction of the World Trade Center and natural disasters such as Hurricane Katrina, have periodically resulted in higher premiums and deductibles and restricted limits and coverage. The District intends to continue the use of commercial carriers to insure machinery and property risks and to expand the use of industry mutual insurance companies to the extent adequate capacity is available. In response to the tragic events at the World Trade Center in New York on September 11, 2001, the District has taken additional security measures to protect its Electric System and other assets.

Environmental Matters

General. The District's policy is to conduct its operations in compliance with all applicable federal, state, tribal, and local laws, regulations, and rules relating to the environment. The District has implemented a comprehensive compliance assurance program, including audits, to meet that goal. However, due to continued changes resulting from legislative, regulatory and judicial actions, there is no assurance that facilities owned by the District will remain subject to the regulations currently in effect, will always be in compliance with future regulations, or will always be able to obtain all required operating permits. An inability to comply with environmental regulations could result in additional capital expenditures to comply, reduced operating levels, or the complete shutdown of individual electric generating units not in compliance.

See "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY — Environmental" for further discussion of environmental issues.

See "THE ELECTRIC SYSTEM — Environmental Matters — *Navajo Generating Station and Four Corners Generating Station Units 4 and 5*" below for a discussion of administration of federal environmental laws by Indian tribes.

Waste Management. Many normal activities in connection with the operation of the Project generate hazardous and non-hazardous wastes. Federal, state, and local laws and regulations governing waste management impose strict liability for cleanup costs and damages resulting from hazardous substance release or contamination, regardless of time or location, on those who generate, transport, store, treat, or dispose of hazardous wastes. At any given time, various Project facilities may be subject to inspection by federal, state, or local regulatory authorities to determine compliance with laws and regulations pertaining to hazardous and non-hazardous waste management, and Project facilities may be included in studies of contaminated sites by federal and state regulatory authorities. The District has established a plan for managing hazardous waste to ensure compliance with applicable laws and regulations, and independently assesses its facilities to determine whether there is any contamination resulting from its activities. From time to time the District and the Association receive inquiries from regulatory authorities about the status of various contaminants at the District's facilities, and respond as appropriate.

Water Quality. Arizona has an extensive regulatory system governing water quality, including permit programs for discharges to surface water and to groundwater, and a superfund program to clean up groundwater contamination. Twelve state superfund sites and seven federal superfund sites targeting contamination of groundwater have been established within the greater Phoenix metropolitan area. The Association has agreed with other responsible parties to clean up one federal superfund site, and preliminary reports have identified one District facility as a possible source of contamination for another federal superfund site. The full impact, in terms of cost and operational problems, to the District of the reports or laws and regulations pertaining to water quality cannot be quantified at this time.

See "THE DISTRICT — Irrigation and Water Supply System" above for a discussion of well remediation activities.

See "THE ELECTRIC SYSTEM — Environmental Matters — *Navajo Generating Station and Four Corners Generating Station Units 4 and 5*" below for a discussion of administration of federal environmental laws by Indian tribes.

See "LITIGATION — Environmental Issues — *Superfund Sites*" for discussion of the Motorola 52nd Street Superfund site.

Air Quality. In common with other electric utilities and industries, the District is subject to federal, state, and local standards to control emissions to protect air quality. At the locations of the principal coal-fired generating units now in operation, the federal agencies place a high emphasis on preserving air quality and visibility at large national parks, monuments, wilderness areas and Indian reservations; since many of the District's coal-fired generating stations are located in the vicinity of these federal lands, those generating stations may be subject to particularly stringent control standards. These standards substantially increase the cost of, and add to the difficulty of siting, constructing, and operating electric generating units. Environmental requirements regarding air emissions have been changing and are anticipated to change substantially in the future. Possible future legislative or regulatory mandates related to the CAA and climate change initiatives may result in requirements for further reductions of emissions that are currently regulated, like sulfur dioxide ("SO_2"), nitrogen oxide ("NOx"), particulate matter ("PM") and mercury, as well as reductions of emissions of gases and substances not presently regulated, like carbon dioxide ("CO_2"). The District continues to monitor regional climate change initiatives. In February 2007, Governor Janet Napolitano of Arizona, along with the governors of five other western states, as well as several Canadian provinces, launched the Western Climate Initiative ("WCI") to establish a regional GHG reduction goal and develop market-based strategies to achieve emissions reductions. Membership in the WCI has increased to seven western states and four Canadian provinces. When Arizona Governor Jan Brewer replaced Governor Napolitano, Brewer released an Executive Order that stated that Arizona would not implement the cap-and-trade

proposal advanced by the WCI, especially during an economic downturn. While government leaders debate climate change, the District is aggressively pursuing strategies to develop facilities to provide renewable and low-carbon intensity generation capacity and continues to monitor legislative and regulatory developments and provide comments.

Based on currently available information, the District cannot estimate or predict its costs to comply with these proposals and goals, but believes that such costs could be material. See "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY — Environmental" and "LITIGATION — Environmental Issues — *New Source Review*" for a discussion of consent decree with the EPA concerning CGS.

See "THE ELECTRIC SYSTEM — Sustainable Resource Portfolio" and "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY — Environmental" for a discussion of the District's efforts to address GHG emissions.

See "THE ELECTRIC SYSTEM — Environmental Matters — Navajo Generating Station and Four Corners Generating Station Units 4 and 5" below for a discussion of administration of federal environmental laws by Indian tribes.

Navajo Generating Station and Four Corners Generating Station Units 4 and 5. Certain environmental laws, including the CAA, the Clean Water Act, and the Safe Drinking Water Act, contain provisions pursuant to which Indian tribes may be treated as states for purposes of administering programs under those acts. The Navajo Nation has obtained EPA approval to administer programs under some of these laws. However, the EPA generally has not included NGS or Four Corners in the lands covered by approved tribal programs because of a dispute over the effect of covenants in the Leases and Grants between the Navajo Nation and the plants, which state that the Navajo Nation will not regulate the plants. The ADEQ has advised the District that it is no longer regulating environmental matters relating to NGS since the plant is located on the Navajo Indian Reservation. In general, NGS and Four Corners are regulated by EPA Region IX in San Francisco, California, and comply with applicable federal regulations. However, the District and APS, as operating agents for these plants, have entered into a Voluntary Compliance Agreement with the Navajo Nation that establishes contractual authority for the Navajo Nation to issue permits and regulate air emissions at NGS and Four Corners under certain rules not stricter than those of the EPA, and are working towards other voluntary compliance agreements. See "LITIGATION — Environmental Issues — *Navajo Environmental Laws*," for further discussion of the Navajo Nation's environmental laws and the related lawsuits.

ELECTRIC PRICES

Under Arizona law, the District's publicly elected Board has the authority to establish electric prices. While the Articles of Incorporation of the Association provide that the Secretary of the Interior may revise electric prices, the Secretary of the Interior has never requested any revision of the District's electric prices. The District is required to follow certain procedures for public notice and a special Board meeting before implementing any changes in its standard electric price plans.

The District is a summer peaking utility and for many years has made an effort to balance the summer-winter load relationships through seasonal price differentials. In addition, the District prices on a time-of-day basis for large commercial and industrial, and certain residential and small commercial, users.

The District historically operated in a highly regulated environment in which it had an obligation to deliver electric service to customers within its service area. In 1998 the Arizona Electric Power Competition Act (the "Competition Act") authorized competition in the retail sales of electric generation, recovery of stranded costs, and competition in billing, metering and meter reading.

While retail competition was available to all customers by 2001, there were only a few customers who chose an alternative energy provider. Those customers have since returned to their incumbent utilities. At this time, there is no active retail competition within the District's service territory or, to the knowledge of the District, within the State of Arizona.

See "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY — Competition in Arizona — *The Arizona Corporation Commission*" for a discussion of competition among utilities regulated by the ACC.

The District's price plans have been unbundled since 1999. In May 2002, the District implemented a Fuel & Purchased Power Adjustment Mechanism ("FPPAM") to allow for semi-annual rate adjustments to recover increases in actual fuel costs. The District has had both increases and decreases in the FPPAM since it was implemented.

In June 2004, the District introduced a Transmission Cost Adjustment Factor ("TCAF") to recover costs the District would incur if the District were required to participate in regional transmission organizations. To date, no costs have been incurred or recovered through the TCAF. In November 2009, the District introduced an Environmental Programs Cost Adjustment Factor ("EPCAF") to recover costs incurred by the District to comply with renewable-energy, energy efficiency and climate-change related requirements imposed by mandate. The EPCAF is applied to all retail customer energy sales at a single per-kWh price for all customer classes.

On October 1, 2009, the District approved a 2.5% system average decrease for the FPPAM, effective with the November 2009 billing cycle, to reflect lower anticipated fuel and purchased-power costs for the last six months of fiscal year 2010. The District also approved a 2.5% system average increase for the EPCAF, effective with the November 2009 billing cycle. The decrease to the FPPAM was offset by the increase to the EPCAF, resulting in no additional revenue.

On March 11, 2010, the District approved an overall 4.9% system average increase effective with the May 2010 billing cycle. The increase is expected to generate approximately $117.4 million in fiscal year 2011.

In April 2005, the District first transferred monies into the Rate Stabilization Fund ("RSF") to stabilize future retail prices. Between April 2005 and July 2007, the District funded the RSF three times and transferred all funds, $165 million plus interest, from the RSF to the District's General Fund to address a portion of fuel and purchased power expenses for fiscal years 2007 and 2008. On July 13, 2010, the District transferred an additional $45.7 million to the RSF from its General Fund, which amount remains available to stabilize future retail prices or for other purposes.

The District has a long history of promoting price designs that provide customers with the appropriate price signals to reduce load during peak time periods and seasons and use electricity efficiently. All residential, commercial and industrial price plans have seasonally differentiated prices. The District has one of the largest Residential Time-of-Use (TOU) Programs in the United States. With commercial and industrial loads included, the District has nearly 50% of its retail load subject to a TOU Price Plan. The District also has the largest residential "pre-pay" program in the United States. Under this program customers pay in advance for their electricity. This program, also known as M-Power®, has had the effect of reducing electricity consumption by participating customers by approximately 12%.

Through a surcharge to the District's transmission and distribution customers for system benefits, the District recovers the costs of programs benefiting the general public, such as discounted rates for the impoverished or for those on medical life support and nuclear decommissioning, including the cost of spent fuel storage. This surcharge continues to be separately identified and included in the District's price plans for the regulated portion of its operations. Prior to November 2009, some of the EPCAF costs had been recovered as part of the Systems Benefits Charge.

CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program is a two-year forecast of all District construction expenditures, and is subject to change from time to time for several reasons, including changes in projections for economic and customer growth, changes in construction costs, projects being added, deleted, deferred or completed and changes in the period covered by the forecast. See "THE DISTRICT — Economic and Customer Growth in the District's Service Area."

The Capital Improvement Program for fiscal years 2011 and 2012 totals approximately $1.3 billion. Of this total, approximately $1.2 billion is for construction (including contingencies), $30.6 million is for capitalized administrative and general expenses, $3.0 million is for capitalized voluntary contributions in lieu of taxes, and $58.1 million is for capitalized interest. In the past, the District has paid a portion of the cost of the Capital Improvement Program from internally generated funds and a portion from the proceeds of Revenue Bonds. The District anticipates funding approximately 62% of the Capital Improvement Program from internally generated funds. The remainder is anticipated to be funded by Revenue Bonds, other forms of indebtedness and third-party contributions.

The Capital Improvement Program is driven by the need to sustain the generation, transmission and distribution systems of the District in order to meet customer electricity needs and to maintain a satisfactory level of service reliability. Of the approximately $1.3 billion Capital Improvement Program, approximately $503.5 million is directed to generating projects. These include funding for such items as: the Coronado Emission Controls Project, plant betterments and future generation facilities. Approximately $271.9 million is planned for expansion of the electrical distribution system to meet future growth and to replace aging underground cable. The continued efforts for the Southeast Valley Transmission Project and the construction of a high voltage transmission line account for part of the $156.4 million planned expenditures for transmission.

To provide for uncertainties in construction costs (including possible schedule changes, and other factors that may affect construction costs) and to provide a scope allowance for projects that may be needed in the future but are not yet identified, the District has included a general contingency allowance in the Capital Improvement Program in addition to specific contingency allowances provided for major construction projects. No assurance is given that the estimated costs and contingency allowance will be adequate for their purposes.

The District updates its Capital Improvement Program annually in April of each year. When projected economic and customer growth declines, the District reviews its Capital Improvement Program to reflect revised demands on the Electric System. See "THE DISTRICT — Economic and Customer Growth in the District's Service Area."

Table 6 summarizes the District's fiscal year 2011 and 2012 Capital Improvement Program.

TABLE 6 — 2011 and 2012 Capital Improvement Program
($000's – Unaudited)

	2011	2012	Total 2011-12
Electric Construction:			
Generation	$ 350,221	$ 153,304	$ 503,525
Transmission	133,564	22,882	156,447
Distribution	129,047	142,803	271,850
Retail Sales and Services	26,958	19,825	46,783
Operational Support	45,514	37,790	83,304
Subtotal — Electric Construction	685,305	376,605	1,061,910
Contingency Allowance & Risk Portfolio	36,400	109,000	145,400
Subtotal	721,705	485,605	1,207,310
Capitalized Administrative and General Expenses	15,324	15,324	30,649
Capitalized Voluntary Contributions	1,500	1,500	3,000
Capitalized Interest	32,795	25,315	58,110
Total[1]	$ 771,324	$ 527,744	$ 1,299,068

[1] Totals may not exactly equal the sum of the above entries due to rounding.

SELECTED OPERATIONAL AND FINANCIAL DATA

Customers, Sales, Revenues and Expenses

Classification of Customers. The District has a diversified customer base. No one retail customer represents more than 1.6% of operating revenues. The classifications of the District's electric customers are shown in Table 7.

Unless otherwise indicated, the financial information included below pertains solely to the District and is not prepared on a combined basis consisting of the District and the Association.

TABLE 7 — 2010 Customer Accounts, Sales, and Revenues
Fiscal Year Ended April 30, 2010

	Customer Accounts at April 30, 2010	Total Sales (GWh)	%	Sales Revenue ($000)	%
Residential	847,565	12,527	37.4	1,272,654	47.9
Commercial and Small Industrial	84,380	10,589	31.6	883,534	33.2
Large Industrial	20	1,598	4.8	98,585	3.7
Mines	27	1,292	3.9	71,871	2.7
Pumps	135	25	0.1	3,432	0.1
Public/Private Lighting	9,827	206	0.6	26,948	1.0
Interdepartmental	1	76	0.2	6,429	0.2
Subtotal/Retail	941,955	26,313	78.6	2,363,453	88.9
Electric Utilities/Wholesale[1]	69	7,166	21.4	295,783	11.1
Total[2]	942,024	33,480	100.0	2,659,236	100.0

[1] The electric industry engages in an activity called "book-out" under which some energy purchases are netted against sales, and power does not actually flow in settlement of the contract. The District presents the impacts of these financially settled contracts on a net basis. Wholesale figure shown is adjusted to exclude book-outs.
[2] Totals may not add correctly due to rounding.

As has been historically the case, the residential group of customers accounted for the largest energy consumption. With 847,565 customers at April 30, 2010, this group serves as a solid base, bringing in approximately 48% of total electric revenues.

The second largest retail customer classification is the commercial and small industrial group; these customers numbered 84,380 at April 30, 2010 against 83,985 twelve months earlier. The commercial and small industrial group represents a highly diverse customer base, which includes businesses such as newspapers, dentists, cosmetics, fast food, repair shops, schools, apartments, and grocery stores. The remaining customer categories span a wide range of customers and industries, which include manufacturers, government contractors, gas and chemical producers, agricultural interests, and municipalities.

Historical Operating Statistics. The following table shows certain historical operating statistics of the District for the five years ended April 30, 2010.

TABLE 8 — Historical Operating Statistics

	2010	2009	2008	2007	2006
SERVICE:					
Total Customers at Year-End	942,024	933,771	928,992	919,422	892,875
Total Sales (million kWh)	33,480	35,080	36,839	36,506	36,876
Average Revenue per kWh (cents)	7.94	8.10	7.66	7.33	7.39
District Only: (excludes sales for resale and affiliated retail)					
Sales (millions kWh)	26,313	26,747	27,947	26,675	25,052
Increase in Sales (%)	(1.6)	(4.3)	4.8	6.5	5.9
TOTAL OPERATING REVENUES: (000's omitted)[1][9]	$ 2,722,268	$ 2,755,134	$ 2,733,359	$ 2,623,686	$ 2,512,559
OPERATING EXPENSES (000's omitted):					
Fuel and Purchased Power[2][9]	$ 1,109,115	$ 1,526,282	$ 1,161,669	$ 1,089,333	$ 1,056,645
Operating and Maintenance[3]	785,674	710,534	724,808	613,902	605,525
Sales and Payroll Taxes	29,253	29,170	27,931	27,156	25,407
Ad Valorem Taxes[4]	6,619	5,607	(2,290)	6,633	4,275
Total Operating Expenses[5]	$ 1,930,561	$ 2,271,593	$ 1,912,118	$ 1,737,024	$ 1,691,852
NET OPERATING REVENUES	$ 791,707	$ 483,541	$ 821,241	$ 886,662	$ 820,707
VOLUNTARY CONTRIBUTIONS IN LIEU OF TAXES (000's omitted):[6]					
Expensed	$ 64,262	$ 55,307	$ 63,871	$ 61,636	$ 69,220
Capitalized	1,189	813	426	518	598
Total	$ 65,451	$ 56,120	$ 64,297	$ 62,154	$ 69,818
OTHER STATISTICS:					
Annual Peak (MW):					
System Requirements	6,438	6,410	6,578	6,590	6,044
Total Peak Load[7]	7,138	7,232	7,324	7,649	7,297
System Load Factor(%)[8]	47.8	48.8	49.5	47.7	49.3
Residential Statistics:					
Fiscal Year-End Residential Customers	847,565	839,685	836,637	830,735	809,235
Annual Sales (million kWh)	12,527	12,462	13,392	12,919	12,077
Average Annual Usage (kWh)	14,816	14,823	15,980	15,695	15,211
Average Sales Price per kWh (cents)	10.16	9.90	9.06	8.80	8.59

(1) Includes inter-company sales and other electric revenue.

(2) Excludes charges for water for power, depreciation on generation and railroad facilities, ad valorem taxes and voluntary contributions in lieu of taxes on railroad facilities.

(3) Excludes depreciation on generation, transmission, distribution and general plant.

(4) Applies to out-of-state properties owned by the District.

(5) District operating expenses and net operating revenues as presented are not in accordance with generally accepted accounting principles ("GAAP") due to the exclusion of depreciation expense and voluntary contributions in lieu of taxes.

(6) See "SELECTED OPERATIONAL AND FINANCIAL DATA — Customers, Sales, Revenues and Expenses — *Voluntary Contributions in Lieu of Taxes*."

(7) Includes sales for resale, remote losses and interruptible load transactions.

(8) System load factor is the ratio of system energy requirements in kWh to the product of the system requirements times the number of hours in a year. These percentages reflect in major part the wide differential between the extreme summer cooling season and the moderate winter heating season.

(9) Total operating revenues and fuel and purchased power have been adjusted for the effects of EITF 03-11 starting in fiscal year 2003 and SFAS No. 133 beginning in fiscal year 2002.

Voluntary Contributions in Lieu of Taxes. In accordance with permissive legislation, the District makes voluntary contributions each year to the State of Arizona, school districts, cities, counties, towns and other political subdivisions of the State of Arizona, for which property taxes are levied and within whose boundaries the District has property devoted to furnishing electric service. As a political subdivision of the State of Arizona, the District is exempt from property taxation. The amount paid is computed on the same basis as ad valorem taxes paid by a private utility corporation with allowance for certain water-related deductions. Contributions based on the costs of construction work in progress are capitalized, and those based on plant-in-service are expensed.

The Arizona Legislature also passed legislation that reduces the assessment ratio for calculation of in lieu contributions in Arizona beginning in calendar year 2006. The rate of 25% that was in effect prior to calendar year

2006 will be reduced to 20% over a 10-year period. The legislation reducing the assessment ratio to 20% is expected to produce a cumulative savings of approximately $1.5 million per year.

Contractual Obligations Relating to Bonds of Other Political Subdivisions. The District has payment obligations under certain long-term contracts that have secured debt service payable on bonds issued by another Arizona political subdivision. The District entered into power sales contracts in 1990 and 1991 with WAPA, USBR and CAWCD for the purchase of a total of 350 MW of peaking power. CAWCD's rights to receive payments from the District under these power sales contracts were assigned to secure the payment of debt service on certain contract revenue bonds issued by CAWCD at varying interest rates per maturity and with a final maturity of 2011. The outstanding principal amount of these CAWCD Bonds was defeased in June 2009, and future payments no longer secure debt service on these revenue bonds. Payments under the power sales contracts will continue to be made on a monthly basis for power available through September 30, 2011. The District is obligated under the power sales contracts with WAPA, USBR and CAWCD to pay each month for its allocated capacity at a capacity charge of $6 per kilowatt per month for the period beginning on the date of initial service and ending September 30, 2011. The power sales contracts provide that this obligation of the District is absolute and unconditional and constitutes a general obligation of the District and not a special charge, lien, or pledge of the revenues of the Electric System. The power sales contracts also provide that the District may pay the capacity charge from the revenues of the Electric System as an operating expense so long as no "long-term forced outage" (as defined in the power sales contracts, being an outage or curtailment which reduces the District's contract capacity to 70% or less for an uninterrupted period exceeding 30 days) occurs and is continuing. During a long-term forced outage, the power sales contracts provide that the District will make the payments from its General Fund.

See "THE ELECTRIC SYSTEM — Existing and Future Resources — *Purchased Power*" herein.

Additional Financial Matters

Short-Term Promissory Notes and Credit Agreement Borrowings. The District's Board has authorized the issuance of up to $475 million in short-term promissory notes (the "Promissory Notes"). The Promissory Notes are sold in the tax-exempt commercial paper market and mature no more than 270 days from the date of issuance. The Promissory Notes are issued in minimum denominations of $100,000, in bearer or registered form without coupons, and bear interest from their date at an annual interest rate not in excess of 15%. The District retired $325.0 million of Promissory Notes during fiscal year 2010 to date and $100 million of Promissory Notes during fiscal year 2009, leaving $50 million of Promissory Notes outstanding.

At April 30, 2009, the District had a $475 million revolving credit agreement (the "Prior RCA") supporting the then-outstanding $375 million of outstanding Promissory Notes. The District classified the outstanding Promissory Notes in current liabilities at April 30, 2009 due to the December 7, 2009 pending expiration of the Prior RCA. In September 2009, the District replaced the Prior RCA with a three-year $50 million revolving credit agreement (the "New RCA") expiring September 16, 2012. The District reclassified the outstanding Promissory Notes as long-term debt in the balance sheet at April 20, 2010.

The District has limited the total amount of indebtedness which may be outstanding at one time under the New RCA, or any agreement in substitution or replacement therefor, and in the tax-exempt commercial paper market to an aggregate of $50 million. However, the District has the right to issue Promissory Notes in excess of $50 million if it obtains additional liquidity/credit facility equal to such additional Promissory Notes.

The indebtedness of the District evidenced by the Promissory Notes is, and any borrowings under the New RCA would be, an unsecured obligation of the District payable from the general funds of the District lawfully available therefor, subject in all respects to the prior lien of U.S. Government Loans, if any, revenue bonds and other indebtedness of the District secured by revenues or assets of the District. No specific revenues or assets of the District are pledged to the payment of the Promissory Notes or any borrowings under the New RCA, and the Promissory Notes and such borrowings are not payable from taxes. The District made no borrowings under the Prior RCA and has made no borrowings under the New RCA.

On December 18, 2003, DBIT issued $282,680,000 aggregate principal amount of the Certificates evidencing direct undivided interests in rental payments made by the District pursuant to a Lease Purchase Agreement with

DBIT for Desert Basin. The Certificates are unsecured obligations of the District, payable from lease payments to be made by the District from general funds of the District lawfully available therefor, subject in all respects to the prior lien of U.S. Government Loans, if any, revenue bonds and other indebtedness of the District secured by revenues or assets of the District. As of April 30, 2010, $215,795,000 Certificates were outstanding. See "THE ELECTRIC SYSTEM — Existing and Future Resources — *Desert Basin Generating Station*" for further discussion of the funding of Desert Basin.

No Default. The District is not in default in the payment of the principal of or interest on any of its bonds, notes, or other debt obligations. The District is in compliance with all other covenants of its bonds, notes, or other debt obligations.

Outstanding Revenue Bond Long-Term Indebtedness. As of April 30, 2010, the District had outstanding $3,846,660,000 of Revenue Bonds, computed without deducting the unamortized bond discount/premium.

The following table shows the Revenue Bond Debt Service Requirements and the District's payment obligation under the Finance Lease subsequent to the issuance of the 2010 Series A Bonds.

TABLE 9 — Total Revenue Bond Requirements and Finance Lease Liability [1]

Years Ending April 30, [2]	Total Revenue Bond Debt Service Requirements	Total Finance Lease Payments	Total Revenue Bond Debt Service & Finance Lease Payments
2010	42,410,000	8,312,500	50,722,500
2011	289,451,228	28,297,359	317,748,587
2012	323,853,273	29,182,429	353,035,702
2013	314,847,910	29,182,319	344,030,229
2014	305,835,848	29,182,688	335,018,536
2015	297,670,627	29,182,354	326,852,981
2016	288,110,573	29,182,438	317,293,011
2017	279,439,418	29,184,521	308,623,939
2018	274,824,414	29,183,146	304,007,560
2019	262,548,608	29,182,563	291,731,171
2020	254,977,245		254,977,245
2021	251,566,550		251,566,550
2022	251,563,819		251,563,819
2023	251,561,759		251,561,759
2024	253,664,903		253,664,903
2025	253,994,673		253,994,673
2026	251,234,456		251,234,456
2027	251,562,471		251,562,471
2028	251,565,733		251,565,733
2029	254,075,196		254,075,196
2030	254,076,579		254,076,579
2031	254,077,450		254,077,450
2032	254,074,100		254,074,100
2033	254,076,583		254,076,583
2034	254,076,417		254,076,417
2035	254,077,583		254,077,583
2036	254,077,583		254,077,583
2037	254,075,500		254,075,500
2038	254,075,667		254,075,667
2039	122,323,333		122,323,333
2040	250,935,220		250,935,220
2041	217,097,107		217,097,107

[1] Totals may not add due to rounding.
[2] Debt Service and Finance Lease payment amounts are for the years in which they accrue, not for the years in which they are paid.

The following table shows the actual application of revenues and coverage of Debt Service requirements for fiscal years 2007, 2008, 2009 and 2010.

TABLE 10 — Historical Application of Revenues and Coverage of Debt Service Requirement ($000's – Unaudited)

	2010[1]	2009[1]	2008[1]	2007[1]
Electric Revenues[2]	$2,723,882	$ 2,901,639	$ 2,890,921	$ 2,736,831
Operating Expenses[2][3][4]	1,895,430	2,091,006	2,160,735	1,900,035
Revenues from Operations	828,452	810,633	730,186	836,796
Interest and Other Income (Net)	6,032	(24,504)	50,683	77,051
Revenues Available for Debt Service	834,484	786,129	780,869	913,847
Rate Stabilization Funds	--	--	81,922	(25,599)
Revenues Available for Debt Service on Revenue Bonds and Subordinated Debt	834,484	786,129	862,791	888,248
Debt Service Requirements Revenue Bonds	306,076	301,368	260,830	241,546
Debt Service Requirements Subordinated Debt	29,847	35,401	44,663	46,378
Total Debt Service	335,923	336,769	305,493	287,924
Coverage of Total Revenue Bond Debt Service[5]	2.73	2.61	2.99	3.78
Coverage of Total Debt Service[6]	2.48	2.33	2.82	3.09
Balance after Debt Service	498,561	449,360	557,298	600,324
Plus: Interest on Construction Fund	3,103	7,740	3,873	11,705
Less: Contribution in Lieu of Taxes	64,262	55,307	63,871	61,636
Less: Contributions to Water Operations	25,149	33,167	47,018	34,792
Less: Falling Water Charges[7]	24,332	17,898	16,380	21,192
Balance Available for Corporate Purposes	$387,921 [8]	$ 350,728	$ 433,902	$ 494,409

(1) Includes inter-company sales.
(2) Electric Revenues and Operating Expenses do not include the effects of EITF 03-11 and SFAS No. 133.
(3) Includes ad valorem taxes applicable to out-of-state properties owned by the District and payroll taxes. Excludes depreciation, voluntary contributions in lieu of taxes and inter-company charge for water for power and includes price increases.
(4) Operating expenses include costs on an accrual basis for post-retirement medical benefits and demand charges related to the contract for Navajo Surplus.
(5) Figures derived by dividing line "Revenues Available for Debt Service" by line "Debt Service Requirements Revenue Bonds."
(6) Figures derived by dividing line "Revenues Available for Debt Service on Revenue Bonds and Subordinated Debt" by line "Total Debt Service."
(7) The charges by the Association for water used in hydroelectric generation.
(8) May be reconciled with combined net revenues for 2010 (shown on page A4) as follows:

($000's – Unaudited)

BALANCE AVAILABLE FOR CORPORATE PURPOSES	$ 387,921
Bond principal repayment	119,647
Subordinated Debt principal payment	18,107
Rate Stabilization Funds	--
Capitalized Interest	52,938
Amortization of regulatory assets	(11,980)
Depreciation and amortization	(396,506)
Fuel related depreciation (reflected in fuel costs)	(2,018)
Amortization of bond accretion	--
Realized Earnings on PRM and Life	(15,556)
Amortization of bond discount/premium, issuance, and refinancing expenses	8,995
Net Revenues before impact of fair value adjustments	161,548
Impact of fair value adjustments	209,427
Gain on sale of available-for-sale securities	--
COMBINED NET REVENUES	$ 370,975

CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

General

The electric utility industry in general has been, and in the future may be, affected by a number of factors which could impact upon the business affairs, financial condition and competitiveness of an electric utility and the level of utilization of generating facilities, such as those of the District. Two significant factors are (i) the efforts on national and local levels to restructure the electric utility industry from a heavily regulated monopoly to an industry in which there is open competition for power supply and transmission, and (ii) the regulatory requirements related to the issues of climate change.

Other factors include, among others, (i) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements, (ii) changes resulting from conservation and demand-side management programs on the timing and use of electric energy, (iii) changes that might result from national energy policies, (iv) increased competition from independent power producers, (v) "self-generation" by certain industrial and commercial customers, (vi) issues relating to the ability to issue tax-exempt obligations, (vii) severe restrictions on the ability to sell to nongovernmental entities electricity from generation projects financed with outstanding tax-exempt obligations, (viii) changes from projected future electricity requirements, (ix) increases in costs, (x) shifts in the availability and relative costs of different fuels, (xi) effects of the financial difficulties confronting the power marketers, and (xii) costs resulting from attempts to change the way transmission providers operate. Any of these factors (as well as other factors) could affect the financial condition of any given electric utility and likely will affect individual utilities in different ways.

The District cannot predict what effects these factors will have on its business, operations and financial condition, but the effects could be significant. The following is a brief discussion of certain of these factors. However, this discussion does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date of this Official Statement. Extensive information on the electric utility industry is, and will be, available from sources in the public domain, and potential purchasers of the securities of the District should obtain and review such information.

The Federal Energy Regulatory Commission

The Federal Energy Regulatory Commission ("FERC") regulates the transmission of electricity in interstate commerce. Historically, with limited exceptions, FERC has not regulated transmission services by public power. However, the Energy Policy Act of 2005 (the "Energy Policy Act") expanded FERC jurisdiction by granting FERC authority to regulate the non-rate terms and conditions, and to a lesser extent, rates, under which public power entities (including the District) provide transmission services. The Energy Policy Act explicitly prohibits FERC from requiring public power entities to take actions that would violate a private activity bond rule. To date FERC has declined to generically implement its authority over public power entities, and determined its authority would be used on a case-by-case basis.

In response to FERC's rule for nondiscriminatory access to transmission, the District filed with FERC a transmission tariff which would ensure the District's access to the transmission systems of public utilities. The District has also entered into an agreement with other utilities in California, Arizona, New Mexico, Nevada, far west Texas, Colorado and Wyoming, to facilitate development of wholesale market enhancements that would improve transmission and wholesale energy markets. See "THE ELECTRIC SYSTEM — Existing and Future Resources — *Transmission*."

Competition in Arizona

The Electric Power Competition Act. In 1998, Arizona enacted the Competition Act, which applies to public power entities, like the District. The Competition Act authorized competition in the retail sale of electric generation, recovery of stranded costs, and competition in billing, metering and meter reading. While retail competition was available to all customers in 2001, there were only a few customers who chose an alternative energy provider. Those customers have since returned to their incumbent utilities. At this time, there is no active retail competition

within the District's service territory or, to the knowledge of the District, within the State of Arizona. See "ELECTRIC PRICES" for further discussion.

The Arizona Corporation Commission. The ACC regulates investor-owned and cooperatively-owned utilities, called public service corporations in Arizona. The Arizona Legislature, in the Competition Act, directed the ACC to adopt rules for competition similar to what the Arizona Legislature had enacted for public power entities.

In 1999, the ACC issued its rules for retail electric competition, which were challenged in the courts, and held to be invalid. The ACC has taken no action to reinstate its electric competition rules. Nevertheless, during the past four years, two retail energy service providers, one meter reading service provider, and one meter service provider have applied to the ACC for authorization to sell competitive services in Arizona. New West Energy intervened in the sole application for which a procedural order has been issued, asking that the application be dismissed until the ACC has held a general rulemaking procedure for retail competition. In September 2008, the ACC suspended consideration of the one application for which a procedural order had been issued pending completion of public workshops on the policy issues underlying retail competition and receipt of ACC Staff's report and recommendations. In August 2010, ACC Staff issued its report indicating that while some form of retail electric competition may be in the public interest, further analysis and discussion of the issue was warranted. The ACC has not yet considered or acted upon the report and no timetable has been established. The ACC has not yet addressed the other applications. If the ACC were to decide to reinstitute retail competition, the existing rules would require significant revision.

In a separate proceeding, an advocacy group for the solar industry, which is comprised of equipment manufacturers, dealers and installers, and a solar electric provider petitioned the ACC for a determination that providers of certain solar service agreements were not public service corporations. At issue was whether such providers were public service corporations under the Arizona Constitution and, therefore, regulated by the ACC. The ACC ruled on June 30, 2010, that a solar electric provider providing service to a school, nonprofit organization or governmental entity from a solar facility constructed on the customer's premises was not subject to ACC jurisdiction as a public service corporation.

Strengths of the District/Competitive Business Strategy. The District has several strengths as well as a competitive business strategy, which positions it well to deal with the effects of the restructuring of the utility industry. The District has retained its existing vertically integrated infrastructure; it has retained 100% of its existing generation assets and is developing additional resources to keep up with its load growth. Its fuel sources for existing generation are diversified, and planned additions include sustainable as well as gas resources. See "THE ELECTRIC SYSTEM — Existing and Future Resources" and "THE ELECTRIC SYSTEM — Projected Peak Loads and Resources" herein.

The District has prepared for increased competition in the utility industry for well over a decade. These results have been achieved through initiatives that included extensive debt refinancing, renegotiation of fuel supply agreements, staff reductions, implementation of numerous operating efficiencies and enhancing services provided to the District's customers. The District also has a diversified customer base and no single customer provides more than 1.6% of its operating revenues. See "SELECTED OPERATIONAL AND FINANCIAL DATA — Customers, Sales, Revenues and Expenses" herein.

The District is regulated by an independent, publicly-elected Board of Directors which approves its capital budgets and electric price structure. Together the Board and management developed various initiatives in response to the restructuring in the industry. See "THE DISTRICT — Organization, Management and Employees" herein.

The District has conducted studies, which have shown that customers with high loyalty rates are less likely to select another generation provider. Consequently, the District has implemented projects and programs geared towards enhancing "customer loyalty" by offering them a range of pricing and service options. Moreover, the District is one of the low-cost price leaders in the Southwest. See the discussion of price initiatives under "ELECTRIC PRICES." The District was recognized in 2010 by J.D. Power & Associates for scoring the highest in residential customer satisfaction among electricity providers in the West. The District has received this award 11 out of the last 12 years. The District also scored highest in customer satisfaction for business electric service among electricity providers in the western United States for 2004, 2005 and 2006.

Energy Risk Management Program. The cornerstone of the District's risk management approach is its mission to serve its retail customers. This means that the District builds or acquires resources to serve retail customers, not the wholesale market. However, as a summer peaking utility, there are times during the year when the District's resources exceed its retail load, thus giving rise to wholesale activity. The District has an Energy Risk Management Program to limit exposure to risks inherent in retail and wholesale energy business operations by identifying, measuring, reporting, and managing exposure to market, credit, and operational risks. To meet the goals of the Energy Risk Management Program, the District uses various physical and financial instruments, including forward contracts, futures, swaps, and options. Certain of these activities are accounted for under Statement of Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended ("SFAS No. 133"). Under SFAS No. 133, derivative instruments are recorded in the balance sheet as either an asset or liability measured at their fair value. The standard also requires that changes in the fair value of the derivative be recognized each period in earnings or other comprehensive income depending on the purpose for using the derivative and/or its qualification, designation and effectiveness as a hedging transaction. Many of the District's contractual agreements qualify for the normal purchases and sales exception allowed under SFAS No. 133, and are not recorded at market value.

The Energy Risk Management Program is managed according to a policy approved by the District's Board of Directors, and overseen by a Risk Oversight Committee. The Risk Oversight Committee is composed of senior executives. The District maintains an Energy Risk Management Department separate from the energy marketing area. The Energy Risk Management Department regularly reports to the Risk Oversight Committee. The policy established by the District's Board of Directors addresses market, credit and operational risks.

Environmental

Electric utilities are subject to federal, state and local environmental regulations which continually change due to legislative, regulatory and judicial actions. There is concern by the public, the scientific community, President Obama's Administration and Congress regarding environmental damage resulting from the use of fossil fuels. Congressional support for the increased regulation of air, water and soil contaminants is building, and there are a number of legislative proposals which may affect the electric utility industry. There has also been an increase in the level of environmental enforcement by the EPA and state and local authorities. Increased environmental regulations under the provisions of the CAA have created certain barriers to new facility development and modification of existing facilities. Consequently, there is no assurance that facilities owned by the District will remain subject to the regulations currently in effect, will always be in compliance with future regulations, or will always be able to obtain all required operating permits. The need to comply with environmental regulations could result in additional capital expenditures to comply, reduced operating levels, or the complete shutdown of individual electric generating units not in compliance. In particular, the full significance to the District of air quality standards and emission reduction initiatives in terms of cost and operational problems is difficult to predict, but costly equipment may have to be added to units now in operation, the cost of fossil fuel purchased by the District may increase and permit fees may increase significantly resulting in potentially material costs to the District, as well as reduced generation. The District is assessing the risk of policy initiatives on its generation assets and is developing contingency plans to comply with future laws and regulations relating to renewable energy and restricting emissions of GHG. The District cannot predict at this time whether any additional legislation or rules will be enacted that will affect the District's operations, the impact of any initiatives on the District at this time and if such laws or rules are enacted, what the costs to the District might be in the future because of such action.

As a result of legislative and regulatory initiatives, the District is planning reductions in emissions of mercury and other pollutants at its coal-fired power plants, including plants located on the Navajo Reservation. In particular, under the terms of a consent agreement with the EPA, the District agreed to install additional pollution control equipment at CGS. See "LITIGATION — Environmental Issues – *New Source Review*" herein.

The EPA issued regulations for the control of mercury emissions from coal-fired generating stations in 2005. Arizona subsequently imposed additional mercury emissions limitations which would require the District to install additional controls at CGS and Springerville Unit 4 to achieve 90% mercury removal. In addition, the District has been participating with the EPA in the development of a rule to regulate mercury emissions on the Navajo Reservation, where the District owns an interest in two generating stations, NGS and Four Corners. In 2008, the

U.S. Court of Appeals, D.C. Circuit, vacated the rules issued by the EPA in 2005, finding that the EPA had not followed proper procedures to develop the rules. As a result, the EPA will issue new rules. In the interim, the District and other utilities negotiated Consent Orders with the ADEQ, pursuant to which the District will implement a control strategy designed to achieve a 70 percent reduction of mercury emissions at CGS on a facility-wide annual average basis by January 1, 2012. It is likely that additional controls will be required at all coal-fired plants in which the District has an interest when the EPA issues new rules in 2011. The District is evaluating compliance options and cannot yet estimate the associated costs.

In June 2005, the EPA also issued final amendments to its July 1999 Regional Haze Rule. These amendments apply to the provisions of the Regional Haze Rule that require emissions controls known as Best Available Retrofit Technology ("BART") for coal-fired power plants and other industrial facilities that emit air pollutants that reduce visibility. The amendments include final guidelines for states and tribes to use in determining which facilities must install controls and the types of controls that facilities must use. States and tribes were required to complete BART determinations for eligible facilities by the end of 2007. Most states, including Arizona, did not meet that deadline, but Arizona is expected to complete its BART determination in 2010. BART controls must be installed five years after the EPA has approved a state's BART determination. The District has financial interests in several coal-fired power plants that are subject to the BART requirements.

In August 2009, the EPA issued an Advanced Notice of Proposed Rulemaking seeking public comments on what constitutes BART for both NGS and Four Corners. Comments were due in March 2010 and the EPA is expected to issue proposed BART determinations sometime in late 2010 and final determinations in 2011. The District believes that BART for NGS requires the installation on all three units of low-NOx burners and separated over-fired air ("LNB/SOFA"). The LNB/SOFA equipment has been installed on two units and the third unit will be completed in early 2011. The total cost for this project is $45 million, of which the District's share will be $9.8 million. The EPA may also require the installation of selective catalytic reduction ("SCR") as well as controls for sulfuric acid mist emissions and fine particulate matter, which would cost about $1.2 billion, of which the District's share would be approximately $260 million.

APS believes that BART for Four Corners may require the installation of LNB/SOFA for Units 4 and 5 (in which the District owns a ten percent interest) at a total cost of $52 million, of which the District's share would be $5.2 million. Similar to NGS, the EPA may also require the installation of SCR, which could cost an additional $478 million, of which the District's share would be $48 million.

The EPA notified the State of Colorado in January 2009 that the EPA would not approve the BART Determinations made by the State, including determinations made for the Craig and Hayden Generating Stations. The EPA informed Colorado that the State has until January 2011 to submit a revised plan to the EPA or the EPA will issue its own BART determination. The District believes that the revised BART Determination will include a recommendation for SCRs on Craig and Hayden. Tri-State Generation and Transmission Association ("Tri-State"), the operating agent for Craig, has provided the EPA with an estimate of $414 million to install SCR on Craig Units 1 and 2, of which the District's share would be $120 million. According to Xcel Energy, the operating agent for Hayden, installation of SCR on Hayden Unit 2 would cost $72 million, of which the District's share would be $36 million. If required, the new emission control equipment would have a required in-service date of January 1, 2018, and would take 5-6 years to implement.

The District recognizes the growing importance of the issues concerning climate change (global warming) and the implications they could have on its operations, so it is closely monitoring climate change and other legislative and regulatory developments at the federal, state and regional levels. As of the date of publication, the United States Senate has postponed consideration of cap-and-trade climate change legislation, but the Democratic leadership says that climate change legislation is still a priority. It is unknown when Congress will complete its consideration of the climate change and energy issues or what the final provisions of any bill that is enacted into law will be.

While congressional action remains in flux, the EPA has moved forward with its efforts to regulate emissions of GHG. On December 15, 2009, the EPA published its final endangerment finding under the CAA to the effect that emissions of GHG threaten both public health and welfare, and that emissions of GHG from motor vehicles contribute to that threat. Although the endangerment finding itself did not trigger Prevention of Significant Deterioration ("PSD") or Title V permitting requirements for stationary sources, the EPA's finalization of the GHG

Motor Vehicle Emissions Standards in April 2010 did, allowing the EPA to regulate stationary sources for emissions of GHG such as power plants. Then, on May, 13, 2010, the EPA released its "tailoring" rule, which changes or "tailors" the existing pollutant applicability thresholds for GHG for the PSD and Title V Programs to avoid permitting of all sources that meet the current statutory applicability thresholds for these two programs. Regulation of GHG under the PSD and Title V Programs will affect permitting of new generation as well as permitting of modifications at existing plants. The District cannot predict the costs of compliance with such regulation until the EPA issues additional information on implementation, including guidance on possible options for controls or other efforts that might be required, but the costs could be substantial.

Efforts to cap or tax emissions of carbon dioxide from fossil fuel power plants will substantially increase the cost of, and add to the difficulty of siting, constructing, and operating electric generating units. As a result of legislative and regulatory initiatives, the District is planning emission reductions at its coal-fired power plants. In particular, under the terms of a consent agreement with the EPA, the District has agreed to install additional pollution control equipment at CGS and negotiations are ongoing with the EPA for pollution control equipment additions at NGS and Four Corners. The full significance of air quality standards and emission reduction initiatives to the District in terms of costs and operational problems is difficult to predict, but it appears that costly equipment may have to be added to existing units, that the cost of fossil fuel purchased by the District may increase and that permit fees may increase significantly resulting in potentially material cost to the District as well as reduced generation. The District is assessing the risk of policy initiatives on its generation assets and is developing contingency plans to comply with future laws and regulations restricting emissions of GHG. There is no way to predict the impact of such initiatives on the District at this time.

The District has been tracking and reporting its emissions of GHG for many years, beginning with the Department of Energy's Climate VISION Program, which established a voluntary framework for reducing the intensity of GHG emissions. The District has reported its 2006 and 2007 emissions of GHG to the California Climate Action Registry. Both of those emission inventories have been certified by an approved third party verifier.

On September 22, 2009, the EPA issued the final rule for mandatory monitoring and annual reporting of emissions of GHG from various entities including fossil fuel suppliers, industrial gas suppliers, direct emitters of GHG (such as electric generating facilities and industrial processes), and manufacturers of heavy-duty and off-road vehicles and engines. This rule does not require controls or limits on emissions, but beginning January 1, 2010 requires data collection, and the first annual reports are due March 31, 2011. In addition, the EPA issued two rules on August 12, 2010 regarding GHG permitting. Such data collection, reporting and permitting lays the foundation for controlling and reducing GHG in the future, whether by way of the EPA regulations under existing CAA authority or under a new climate change federal law.

Numerous bills are under consideration by the United States Congress, including implementation of a Combined Efficiency and Renewable Energy Standard ("CERES"), addressing transmission planning, siting and cost allocation to support the construction of renewable energy facilities, and renewable energy incentives that could provide grants and credits to municipal utilities to invest in renewable energy infrastructure.

In 2008, the California Climate Action Registry became the Climate Registry, and the District now reports emissions to that registry. The District follows a rigorous protocol to quantify all direct and indirect emissions from its power generation operations and all other sources of GHG from transportation and fugitive sources. These emission results are publicly available. The Climate Registry establishes consistent, transparent standards throughout North America for businesses and governments to calculate, verify and publicly report their carbon footprints in a single, unified registry. The District's experience in voluntarily reporting emissions has prepared the District for reporting emissions to the EPA under its new mandatory GHG reporting rule.

See "ELECTRIC SYSTEM — Sustainable Resource Portfolio" for a further discussion of the District's climate change programs.

The District has partnerships with Arizona State University that emphasize the study of clean energy technologies and also works with the Electric Power Research Institute and the Department of Energy on research initiatives. In addition, the District is a partner in the West Coast Regional Carbon Sequestration Partnership (WESTCARB), which is exploring opportunities to remove CO_2 in a six-state region, including Arizona. The

District is also a charter member of the EPA's Emission Reduction Partnership that is working to reduce sulfur hexafluoride (SF6), another potent GHG. Through a stakeholder process, the District will work with the ADEQ in the development and implementation of mandatory GHG reporting protocols and rules. See "THE ELECTRIC SYSTEM — Sustainability Resource Portfolio" for a discussion of the District's planned resource additions to reduce GHG emissions.

The District is unable to predict future environmental reforms to the electric utility industry, including the outcome of proposals on GHG and renewable energy, and the associated impact on the operations and finances of the District or the electric utility industry. In addition, the District is unable to predict the impact of climate change and the greenhouse effect more generally on the District and its operations and markets. However, such impact may include, for example, effects on the District's operations directly or indirectly through customers or the District's supply chain, increased capital expenditures, costs to purchase or profits from sales of allowances or credits under a "cap-and-trade" system, increased raw material and equipment costs, increased insurance premiums and deductibles as new actuarial tables are developed to reshape coverage, a change in competitive position relative to industry peers and changes to profit or loss arising from increased or decreased demand for the District's production, changes in human population patterns, and potential physical impacts such as changes in rainfall patterns, shortages of water or other natural resources, changing surface water and groundwater levels, changing storm patterns and intensities, and changing temperature levels.

California. The California Legislature has enacted laws that indirectly impact the District. Under one such law, the California Public Utilities Commission and the California Energy Commission implemented a regulation that, among other things, prohibits long-term contracts, five years or more, for the procurement of electricity from coal-fired power plants and restricts investments in coal-fired plants. LADWP, one of the participants in NGS, and SCE, a participant in Four Corners Units 4 and 5, are subject to the regulations and may be precluded from approving certain expenditures at the plants. Also, the California Air Resource Board ("CARB") is developing a program to reduce California emission of GHG, including an economy-wide cap-and-trade program for GHG. The CARB regulations could impact the District's ability to sell excess generation into California. Based on available information, the District cannot estimate or predict the impact of the California laws on it at this time.

The District is monitoring and participating in the development of these regulations to determine the full extent of their impact on the District and the plants in which it has an interest. Based on available information, the District cannot estimate or predict the impact of the California laws on it at this time.

Nuclear Plant Matters

Under the Nuclear Waste Policy Act of 1982, the District pays $0.001 per kWh on its share of net energy generation at PVNGS to the U.S. Department of Energy ("DOE"). The DOE was responsible for the selection and development of a repository for permanent storage and disposal of spent nuclear fuel not later than December 31, 1998. However, the DOE delayed submitting an application to construct a permanent repository at Yucca Mountain, Nevada until June 2008 and use of Yucca Mountain as a storage site remains uncertain. Because of the significant delays in the DOE's schedule, and recently enacted reductions in federal funding, it cannot be determined when the DOE will accept waste from PVNGS or from the other owners of spent nuclear fuel. It is unlikely, due to PVNGS' position in DOE's queue for receiving spent fuel, that the PVNGS operating agent, APS, will be able to initiate shipments to the DOE during the licensed life of the PVNGS. Accordingly, APS has constructed an on-site dry cask storage facility to receive and store PVNGS spent fuel. The facility stored its first cask in March 2003 and as of July 31, 2010, 73 casks were stored on the site.

The Nuclear Regulatory Commission ("NRC") has adopted decommissioning rules which require reactor operators to certify that sufficient funds will be available for decommissioning the contaminated portion of nuclear plants in the form of prepayments or external sinking funds, either of which must be segregated from the licensee's assets and outside its administrative control, or by the surety of insurance payable to a trust established for decommissioning costs. The District is collecting funds through its price plans to decommission its share of PVNGS Units 1, 2 and 3. The District projects that it will accumulate $359.1 million in 2007 dollars over the life of PVNGS for this purpose. The decommissioning funds are maintained in an external trust in compliance with NRC regulations. The District anticipates being able to continue to collect decommissioning funds in a competitive generation market.

Summary

As discussed above, the electric utility industry is experiencing challenges in a number of areas. The District is unable to predict the extent to which its construction programs and operations will be affected by such factors, but they could result in incurrence of substantial additional costs and could adversely affect its revenues.

LITIGATION

At the time of delivery of and payment for the 2010 Series Bonds, the law firm of Jennings, Strouss & Salmon, P.L.C., Phoenix, Arizona, legal advisors to the District, will deliver a no-litigation opinion stating substantially that, no litigation is now pending or, to its knowledge threatened, affecting or questioning the organization of the District or the titles or manner of election of the officers or directors of the District to their terms of office, respectively; and no litigation is now pending or, to its knowledge threatened, affecting or questioning the power and authority of the District to issue, execute and deliver the 2010 Series Bonds or the pledge or application of any moneys or security provided for the payment thereof.

In the normal course of business the District is a defendant in various legal actions. In management's opinion, except as otherwise noted below, the ultimate resolution of these matters will not have a significant adverse effect on the District's financial position or operations.

Environmental Issues

Navajo Environmental Laws. In 1995, the District, on behalf of the Navajo Generating Station Participants (the "NGS Participants"), filed a lawsuit in the Navajo Nation District Court against the Navajo Nation, its Environmental Protection Agency and the Agency's Director as a result of the defendants' attempts to apply three of the Navajo Nation's environmental laws against NGS and the NGS Participants. These laws are the Navajo Nation Air Pollution Prevention and Control Act, the Navajo Nation Safe Drinking Water Act, and the Navajo Nation Pesticide Act. The District contends that the NGS Plant Site Lease, the Section 323 Grants by the United States for the NGS Plant Site and Railroad, and federal law preclude application of these laws to NGS and the NGS Participants. APS, on behalf of the Four Corners Participants, filed a lawsuit challenging the same laws on similar grounds. Both actions were served on the defendants; however, all parties agreed to stay the litigation pending settlement discussions.

In July 2000, the District filed a separate action in the Navajo Nation Supreme Court, requesting that the Court review final regulations that were issued by the Navajo Nation Environmental Protection Agency pursuant to the Navajo Air Quality Statute. APS filed a similar petition in a separate action with the Navajo Nation Supreme Court. The Court stayed these proceedings pending settlement discussions.

In May 2005, the District and APS, as operating agents for the NGS and Four Corners Participants, entered into Voluntary Compliance Agreements with the Navajo Nation to resolve and dismiss those portions of the above lawsuits relating to regulation of air pollution. The agreements establish contractual authority for the Navajo Nation to regulate air emissions and issue air permits at NGS and Four Corners under rules not stricter than the EPA air rules. As a result, in April 2006, the Navajo Nation Supreme Court dismissed the air regulation challenge and the Navajo District Court dismissed the air quality related claims in the District Court because the District and the Navajo Nation had entered into a Voluntary Compliance Agreement. The Navajo Nation wants to negotiate additional Voluntary Compliance Agreements to resolve the remaining portions of the litigation and, accordingly, the District and the Navajo Nation have begun negotiations relating to an agreement under the Navajo Safe Drinking Water Act. See "THE ELECTRIC SYSTEM — Environmental Matters — *Navajo Generating Station and Four Corners Generating Station Units 4 and 5*" for further discussion of Navajo Nation environmental laws.

On May 5, 2009, the National Parks Conservation Association ("NPCA"), and other environmental groups petitioned the U.S. Department of Interior – National Park Service ("DOI") to certify to the EPA that visibility impairment in Grand Canyon National Park is "reasonably attributable" to oxides of nitrogen and particulate matter emissions from NGS (the "NGS Petition"). The NGS Petition asks the DOI to supplement a similar certification it made in 1986 that ultimately led to the installation of sulfur dioxide scrubbers at NGS. The petitioners allege that

although the installation of the scrubbers improved visibility at the Grand Canyon, it did not adequately reduce NGS's impact on such visibility. In July 2009, the DOI responded to the NGS Petition, stating that it had been collaborating with the EPA regarding the BART determination for NGS, and that the agency would make a decision on the petition after the BART determination had been completed.

On February 16, 2010, the NPCA, and other environmental groups filed a petition similar to the NGS Petition with both the DOI and the U.S. Department of Agriculture – U.S. Forest Service ("DOA") with respect to Four Corners (the "Four Corners Petition"). The petitioners asked that the DOI and the DOA certify to the EPA that impairment of visibility in sixteen areas within 300 kilometers of Four Corners including the Grand Canyon National Park, among others, was reasonably attributable to pollutant emissions from Four Corners. APS, as the operating agent for Four Corners, has asked the DOI and the DOA to defer action on the Four Corners Petition until the ongoing BART determination process for Four Corners has been completed.

On May 5, 2010, Earthjustice, on behalf of several environmental organizations, wrote to the EPA and the owners of Four Corners Units 4 and 5, in which the District owns a ten percent interest, providing notice of intent to sue the participants (the Notice) for violations of the CAA. The Notice alleges two types of CAA violations: (1) Prevention of Significant Deterioration ("PSD") (these have to do with New Source Review ("NSR"); PSD and NSR are essentially interchangeable); and (2) New Source Performance Standards. The EPA had 60 days to determine whether to file its own action against the plant, but failed to do so.

The District is unable to predict the likely outcomes of these matters at this time.

Superfund Sites. In September 2003, the EPA notified the District that it might be liable under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") as an owner and operator of a facility within the Motorola 52nd Street Superfund Site Operable Unit 3. The District investigated and found minimal contamination on the site. The District removed the contamination and the EPA has informed the District that no further work will be required at the facility. However, the District may be liable for past costs incurred and for future work to be conducted within the Superfund Site.

The Roosevelt Irrigation District ("RID") filed a lawsuit in the District Court of Arizona against the District and approximately 100 other defendants, asserting a claim for damages under CERCLA for costs associated with the remediation of groundwater and damage to RID's irrigation wells located within the West Van Buren State Superfund Site, which is immediately to the west of the Motorola 52nd Street Superfund Site. The District has been identified as a potentially responsible party for the West Van Buren Site because of its involvement in the Motorola 52nd Street Superfund Site. RID has alleged that the costs associated with the remediation could exceed $125 million. The District is unable at this time to predict the outcome of this matter but does not believe that the final resolution will have a material adverse effect on its operations or financial condition.

New Source Review. The EPA is continuing its national enforcement initiative under the new source review provisions of the CAA. This initiative is focused on determining whether companies had failed to disclose major repairs or alterations to facilities that, in the opinion of the EPA, would have required the installation of new pollution control equipment under the CAA. The EPA's pursuit of the initiative has resulted in the installation of expensive pollution control equipment at various facilities. As part of this initiative, the EPA contacted APS on April 6, 2009, seeking detailed information regarding projects at and operations of Four Corners. APS has provided initial responses to this request and is unable to predict, the timing or content of the EPA's response or any resulting actions.

Water Rights

Gila River Adjudication. The District and the Association are parties to a state water rights adjudication proceeding initiated in 1976 which encompasses the entire Gila River System (the "Gila River Adjudication"). This proceeding is pending in the Superior Court for the State of Arizona, Maricopa County, and will eventually result in the determination of all conflicting rights to water from the Gila River and its tributaries, including the Salt and Verde Rivers. The District and the Association are unable to predict the ultimate outcome of the proceeding.

Gila River Indian Community. The United States on behalf of the Gila River Indian Community ("GRI Community") filed a lawsuit in 1982 in the Federal District Court, District of Arizona, to protect the water right claims of the GRI Community. The Association was among the many defendants named in this lawsuit. The lawsuit claimed that the defendants' use of surface water and groundwater violates the GRI Community's rights to water in certain specified areas, and requested a decree specifying the GRI Community's rights, injunctive relief to stop the alleged illegal use of water by the defendants, and damages for increased costs to the GRI Community from, among other things, having to deepen its wells. This lawsuit has been dismissed under the terms of the Arizona Water Rights Settlement Act, which resolves not only the claims of the GRI Community but also many of the claims in the Gila River Adjudication.

Little Colorado River Adjudication. In 1978, a water rights adjudication was initiated in the Apache County Superior Court with regard to the Little Colorado River System. The District has filed its claim to water rights in this proceeding, which includes a claim for groundwater being used in the operation of CGS. The District is unable to predict the ultimate outcome of this proceeding, but believes an adequate water supply for CGS will remain available.

Verde River. The City of Prescott, together with the Towns of Prescott Valley and Chino Valley, have plans to withdraw groundwater from the Big Chino Groundwater Sub-Basin and transport the water to their respective service areas for municipal and industrial uses. The District had opposed these plans because of the potential that such pumping would deplete the base flow of the Verde River, which is delivered to and used by Association shareholders. The District pursued litigation against the City of Prescott and the Town of Prescott Valley that led to an Agreement in Principle executed on February 11, 2010. The District is pursuing additional supplemental agreements to resolve the litigation matters, put in place a monitoring plan, construct a groundwater model, and develop a mitigation strategy. The District is confident that these agreements, when in full force, will protect the base flow of the Verde River from future impacts of pumping by the City of Prescott and the Town of Prescott Valley.

Coal Supply

Navajo Nation v. Peabody (U.S. District Court, D.C. District – RICO Case). In 1999, the Navajo Nation filed a lawsuit in the United States District Court in Washington D.C. (the "U.S. District Court"), in which the Hopi Tribe later joined as a plaintiff. The lawsuit arises out of negotiations culminating in 1987 with amendments to the coal leases and related agreements. The Navajo Nation and the Hopi Tribe allege that Peabody (the coal supplier for NGS and Mohave), SCE (operating agent for Mohave), the District (operating agent for NGS), and certain individual defendants, in violation of the federal racketeering statutes, had improperly induced the Department of the Interior to not approve the coal royalty rate proposed by the Navajo Nation. They further alleged that the Department of the Interior's failure to approve the rate caused the tribes to negotiate and settle upon a substantially lower royalty rate. The suit alleges $600 million in damages. The plaintiffs also seek treble damages against the defendants, measured by amounts awarded under the racketeering statutes. In addition, the plaintiffs claim punitive damages of not less than $1 billion. In 2001, the claims of both the Navajo Nation and the Hopi Tribe were dismissed in their entirety with respect to the District.

In 2005, the U.S. District Court stayed the litigation to allow the parties an opportunity to settle. In 2008, the Court lifted the stay and the case was restored to the court's active docket.

On April 12, 2010, the Navajo Nation filed an amended complaint that did not include any RICO claims or claims against the District or any individual defendants. The amended complaint continues to allege $600 million in damages and punitive damages in the amount of $1 billion and seeks to reform the coal leases to provide for a reasonable royalty rate, to dispossess the defendants of all interests in property on the Reservation and to permanently exclude the defendants from the Reservation. While the District is not named as a defendant in the amended complaint, the earlier dismissal of the District could possibly be appealed at the conclusion of the case.

Black Mesa Environmental Impact Statement. In 2008, the Office of Surface Mining ("OSM") issued an Environmental Impact Statement ("EIS") to allow Peabody to include the Black Mesa Mine (which formerly served Mohave) to the permit for the Kayenta Mine (which serves NGS). Among other things, combining the two permits could eventually give Peabody access to shallower, high quality coal for NGS, which could reduce future costs to

the NGS Participants and provide an additional source of coal. Under the administrative appeals process, numerous appeals of the permit decision were filed, and a decision was issued that the process OSM had followed to issue the permit was inadequate. Therefore OSM is redoing the EIS. Peabody continues to work with both the EPA and the Navajo Nation Environmental Protection Agency on other permitting issues as well.

Navajo Mine Permit. The Diné Citizens Against Ruining Our Environment ("Diné CARE") and the San Juan Citizens Alliance filed a lawsuit against the OSM in July 2007. The lawsuit alleges that the OSM erroneously renewed the permit of BHP Billiton Limited ("BHP") for the Navajo Mine, which serves Four Corners, and in which the District owns 10% of Units 4 and 5. Specifically, the lawsuit alleges that the OSM wrongly excluded review of the permit under the National Environmental Policy Act ("NEPA") and that the EPA insufficiently considered the impacts on tribal members and on the environment of the continued and expanded mining operations and the use of fly ash as mine fill. Although the plaintiffs do not seek or request injunctive relief to halt the mining operations, they do ask the court to stop any relocation of tribal members as a result of mine expansion, any disposal of fly ash in the mine, and any blasting operations near the homes of tribal members. In a subsequent amended complaint, the plaintiffs added an allegation that BHP conducted an ethnographic survey that should have been, but was not, considered in the OSM's NEPA analysis for the mine renewal and expansion permits. The potential implications of these allegations for Four Corners are significant. BHP passes environmental compliance costs through to the plant. If a court found that fly ash disposal indeed harms human health or the environment, BHP would look to Four Corners for funding any required investigation and remediation, and for any toxic tort claims. Furthermore, Four Corners operates its own fly ash disposal facilities, and any finding that fly ash disposal at the mine harms human health and the environment could be extended to the plant's disposal facilities as well. In addition, mine expansion is necessary to assure a continuing coal supply to the plant. Accordingly, APS, as operating agent, intervened on behalf of all the Four Corners Participants. This matter has been fully briefed and oral arguments were held in August 2010. The District cannot predict an outcome at this time.

The District is unable to predict the likely outcome of the coal supply litigation matters at this time, but does not believe that the final resolution of these matters will have material adverse effects on its operations or financial condition.

California Energy Market Litigation

Numerous FERC proceedings are addressing various aspects of the California energy market "crisis" of 2000 through 2001. Several of these proceedings involve potential refunds. Because the District bought and sold power into the California energy market, the District has been drawn into many of the proceedings. However, the District was a net buyer in the California market during periods being scrutinized, and believes it is entitled to refunds if any are ordered. The District has received approximately $36.6 million in refunds to date.

Taxes

See "SELECTED OPERATIONAL AND FINANCIAL DATA — Customers, Sales, Revenues and Expenses — *Voluntary Contributions in Lieu of Taxes*" for a discussion of a challenge by the Arizona Department of Revenue to the District's computation of total property value for purposes of its voluntary contributions in lieu of taxes.

LEGALITY OF REVENUE BONDS FOR INVESTMENT

Under the Act, the 2010 Series Bonds constitute legal investments for savings banks, banks, savings and loan associations, trust companies, executors, administrators, trustees, guardians and other fiduciaries in the State of Arizona and for any board, body, agency or instrumentality of the State of Arizona, or of any county, municipality or other political subdivision of the State of Arizona, and constitute securities which may be deposited by banks, savings and loan associations or trust companies as security for deposits of state, county, municipal and other public funds.

UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase from the District all, but not less than all, of (i) the 2010 Series A Bonds at an aggregate purchase price of $497,364,584.22 reflecting an underwriters' discount of $2,635,415.78 from the initial public offering prices set forth on the inside cover page of this Official Statement; and (ii) the 2010 Series B Bonds at an aggregate purchase price of $254,620,063.77, reflecting an original issue premium $38,857,021.65 less an underwriters' discount of $1,021,957.88 from the initial public offering prices set forth on the inside cover page of this Official Statement.

Morgan Stanley and Citigroup Inc., the respective parent companies of Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc., each an underwriter of the 2010 Series Bonds, have entered into a retail brokerage joint venture. As part of the joint venture each of Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, each of Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC. for its selling efforts in connection with their respective allocations of 2010 Series Bonds.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the 2010 Series Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings including the 2010 Series Bonds, at the original issue prices. Pursuant to each Dealer Agreement, each of UBSFS and CS&Co. will purchase 2010 Series Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2010 Series Bonds that such firm sells.

TAX MATTERS

2010 Series A Bonds

Notice Pursuant to IRS Circular 230

The discussion below is not intended or written by the District or Bond Counsel to be used, and cannot be used by any person, for the purpose of avoiding tax penalties that might be imposed under U.S. tax laws. This discussion is provided to support an offering of the 2010 Series A Bonds and accordingly, is written in support of the promotion or marketing of the 2010 Series A Bonds. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor concerning the potential tax consequences of an investment in the 2010 Series A Bonds.

General

Interest on the 2010 Series A Bonds is included in gross income of the owners thereof for federal income tax purposes. Owners of the 2010 Series A Bonds should consult their own tax advisors with respect to the inclusion of interest on the 2010 Series A Bonds in gross income for federal income tax purposes.

In February 2009, as part of the American Recovery and Reinvestment Act of 2009, Congress added provisions to the Code that permit state or local governments to obtain certain financial advantages when issuing certain taxable obligations, referred to as "Build America Bonds." Build America Bonds must satisfy certain requirements, including one that the interest on the bonds would be, but for the issuer's election to treat the bonds as Build America Bonds, excludible from gross income under Section 103 of the Code. The District will make an irrevocable election to treat the 2010 Series A Bonds as Build America Bonds that are "qualified bonds" within the meaning of Section 54AA(g) of the Code. As a result of this election, interest on the 2010 Series A Bonds is not excluded from gross income of the owners thereof for federal income tax purposes and the owners of the 2010 Series A Bonds will not be entitled to any tax credits as a result of either the ownership of the 2010 Series A Bonds or receipt of any interest payments on the 2010 Series A Bonds.

The Code contains a number of provisions relating to the taxation of securities such as the 2010 Series A Bonds (including but not limited to the tax treatment of and accounting for interest, premium, original issue discount and market discount thereon, gain from the sale, exchange or other disposition thereof and withholding and backup withholding tax on income therefrom) that may affect the taxation of certain owners, depending on their particular tax situations. Owners of the 2010 Series A Bonds should consult their own tax advisors as to the particular federal income tax consequences of their ownership of the 2010 Series A Bonds.

Under existing law, interest on the 2010 Series A Bonds is exempt from income taxes imposed by the State of Arizona. Ownership of the 2010 Series A Bonds may result in other state and local tax consequences to certain taxpayers. Prospective purchasers of the 2010 Series A Bonds should consult their own tax advisors regarding the application of any such state and local taxes.

The discussion of tax matters in this Official Statement applies only in the case of purchasers of the 2010 Series A Bonds at original issuance and at the respective prices indicated on the inside cover page hereof. It does not address any other tax consequences such as, among others, the consequences of the existence of any market discount to subsequent purchasers of the 2010 Series A Bonds.

Certain United States Federal Income Tax Consequences

The following is a summary of the principal United States federal income tax consequences of ownership of the 2010 Series A Bonds. It deals only with 2010 Series A Bonds held as capital assets by initial purchasers, and not with special classes of holders, such as dealers in securities or currencies, banks, tax-exempt organizations, life insurance companies, persons that hold 2010 Series A Bonds that are a hedge or that are hedged against currency risks or that are part of a straddle or conversion transaction, or persons whose functional currency is not the U.S. dollar. The summary is based on the Code, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as currently in effect and all subject to change at any time, perhaps with retroactive effect.

Prospective purchasers of the 2010 Series A Bonds should consult their own tax advisors concerning the consequences, in their particular circumstances of ownership of the 2010 Series A Bonds, under the Code and the laws of any other taxing jurisdiction.

The following summary also does not address the tax treatment of 2010 Series A Bonds acquired by partnerships (or other entities that are treated as partnerships for United States federal income tax purposes). Federal income tax and withholding tax treatment of income and gain recognized by a partnership generally depends, in substantial part, on the characteristics and tax circumstances of the partners in the partnership. Prospective purchasers of the 2010 Series A Bonds that are partnerships should consult their own tax advisors regarding these matters.

United States Holders

Payments of Interest. Interest on the 2010 Series A Bonds will be taxable to a United States Holder (as defined below) as ordinary income at the time it is received or accrued, depending on the holder's method of accounting for tax purposes in accordance with generally applicable principles.

A United States Holder for purposes of this discussion is a beneficial owner of a 2010 Series A Bond for U.S. federal income tax law purposes and:

- a citizen or resident of the United States;
- a corporation which is created or organized in or under the laws of the United States or of any political subdivision thereof;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or

- a trust if (1) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust or (2) the trust was in existence on August 10, 1996 and properly elected to continue to be treated as a U.S. person.

The term "Non-U.S. Holder" refers to any beneficial owner of a 2010 Series A Bond who or which is not a United States Holder or a partnership or other entity that is treated as a partnership for United States federal income tax purposes.

Sale and Retirement of the 2010 Series A Bonds

United States Holders of the 2010 Series A Bonds will recognize gain or loss on the sale, redemption, retirement or other disposition of such 2010 Series A Bonds. The gain or loss is measured by the difference between the amount realized on the disposition of the 2010 Series A Bond and the United States Holder's adjusted tax basis in the 2010 Series A Bond. Such gain or loss will be capital gain or loss and will be long-term capital gain or loss if at the time of disposition such 2010 Series A Bond has been held for more than one year.

Defeasance of the 2010 Series A Bonds

If the District defeases any of the 2010 Series A Bonds, such 2010 Series A Bonds may be deemed to be retired and "reissued" for federal income tax purposes as a result of the defeasance. In such event, a Holder of a 2010 Series A Bond would recognize gain or loss on the 2010 Series A Bonds at the time of defeasance.

United States Federal Income Tax Consequences for Non-U.S. Holders

Withholding Tax on Payments of Principal of and Interest on 2010 Series A Bonds. For Non-U.S. Holders, payments of principal of and interest on a 2010 Series A Bond will generally not be subject to U.S. federal withholding tax, provided that in the case of an interest payment:

- the owner is not a bank to whom the 2010 Series A Bonds would constitute an extension of credit made pursuant to a loan agreement entered into in the ordinary course of the owner's trade or business; and

- either (A) the owner certifies to the applicable payor or its agent, under penalties of perjury on an Internal Revenue Service ("IRS") Form W-8BEN (or a suitable substitute form), that such owner is not a United States person and provides the owner's name and address or (B) a securities clearing organization, bank or other financial institution, that holds customers' securities in the ordinary course of its trade or business (a "financial institution") and holds the 2010 Series A Bond, certifies under penalties of perjury that such an IRS Form W-8BEN (or suitable substitute form) has been received by it from the owner or by a financial institution between it and the owner and furnishes the payor with a copy thereof.

Except to the extent otherwise provided under an applicable tax treaty, an owner generally will be taxed in the same manner as a United States Holder with respect to interest payments on a 2010 Series A Bond if such interest is effectively connected with the conduct of a trade or business in the United States. Effectively connected interest received by a corporate Non-U.S. Holder may also, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate (or, if applicable, a lower treaty rate), subject to certain adjustments. Such effectively connected interest will not be subject to withholding tax if the holder delivers an IRS Form W-8ECI to the payor.

Gain on Disposition of the 2010 Series A Bonds. An owner generally will not be subject to U.S. federal income tax on gain realized on the sale, exchange or redemption of a 2010 Series A Bond unless:

- such owner is an individual present in the United States for 183 days or more in the year of such sale, exchange or redemption and either (A) has a "tax home" in the United States and certain other requirements are met, or (B) the gain from the disposition is attributable to an office or other fixed place of business in the United States; or

- the gain is effectively connected with the conduct of a trade or business in the United States.

U.S. Federal Estate Tax. A 2010 Series A Bond held by an individual who at the time of death is not a citizen or resident of the United States (as specially defined for U.S. federal estate tax purposes) will not be subject to United States federal estate tax if at the time of the individual's death, payments with respect to such 2010 Series A Bond would not have been effectively connected with the conduct by such individual of a trade or business in the United States. The United States federal estate tax was repealed effective January 1, 2010. In addition, the legislation repealing the estate tax expires in 2011, and thus the estate tax will be reinstated at that time.

Backup Withholding and Information Reporting

United States Holders. Information reporting will apply to payments of interest made by the District, and to the proceeds of the sale or other disposition of the 2010 Series A Bonds with respect to certain non-corporate United States Holders, and backup withholding may apply unless the recipient of such payment supplies a taxpayer identification number, certified under penalties of perjury, as well as certain other information or otherwise establishes an exemption from backup withholding. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against that owner's U.S. federal income tax liability provided the required information is furnished to the IRS.

Non-U.S. Holders. Backup withholding and information reporting on Form 1099 will not apply to payments of principal and interest on the 2010 Series A Bonds by the District or its agent to a Non-U.S. Holder provided the Non-U.S. Holder provides the certification described above under "United States Federal Income Tax Consequences for Non-U.S. Holders – *Withholding Tax on Payments of Principal of and Interest on 2010 Series A Bonds*" or otherwise establishes an exemption (provided that neither the District nor its agent has actual knowledge that the owner is a United States person or that the conditions of any other exemptions are not in fact satisfied). Interest payments made to a Non-U.S. Holder may, however, be reported to the IRS and to such Non U.S. Holder on Form 1042-S.

Information reporting and backup withholding generally will not apply to a payment of the proceeds of a sale of the 2010 Series A Bonds effected outside the United States by a foreign office of a foreign broker. However, information reporting requirements (but not backup withholding) will apply to a payment of the proceeds of a sale of the 2010 Series A Bonds effected outside the United States by a foreign office of a broker if the broker (i) is a United States person, (ii) derives 50 percent or more of its gross income for certain periods from the conduct of a trade or business in the United States, (iii) is a "controlled foreign corporation" as to the United States, or (iv) is a foreign partnership that, at any time during its taxable year is 50 percent or more (by income or capital interest) owned by United States persons or is engaged in the conduct of a U.S. trade or business, unless in any such case the broker has documentary evidence in its records that the owner is a Non-U.S. Holder (and has no actual knowledge to the contrary) and certain conditions are met, or the owner otherwise establishes an exemption. Payment by a United States office of a broker of the proceeds of a sale of the 2010 Series A Bonds will be subject to both backup withholding and information reporting unless the holder certifies its non-United States status under penalties of perjury or otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against that Non-U.S. Holder's U.S. federal income tax liability provided the required information is furnished to the IRS.

Foreign Account Compliance

Congress recently enacted legislation that significantly changes the reporting requirements imposed on certain non-U.S. persons, including certain foreign financial institutions and investment funds. In general, a 30% withholding tax could be imposed on payments made to any such non-U.S. person unless such non-U.S. person complies with certain reporting requirements regarding its direct and indirect U.S. shareholders and/or U.S. accountholders. Such withholding could apply to payments regardless of whether they are made to such non-U.S. person in its capacity as a holder of a note or in a capacity of holding a note for the account of another. These rules generally would apply to payments made after December 31, 2012, but would exempt from withholding payment on, or proceeds in respect of, debt instruments outstanding on the date two years after the date of enactment (March 18, 2010). The scope and application of this legislation are unclear because regulations interpreting the legislation

have not yet been promulgated. As a result, potential investors are encouraged to consult with their tax advisors regarding the possible implications of this legislation on an investment in the 2010 Series A Bonds.

Certain Considerations for ERISA and other U.S. Employee Benefit Plans

Subject to the following discussion, the 2010 Series A Bonds may be acquired with assets of pension, profit-sharing or other employee benefit plans, as well as individual retirement accounts, Keogh plans and other plans and retirement arrangements, and any entity deemed to hold "plan assets" of the foregoing (each, a "Plan"). Section 406 of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and Section 4975 of the Code, prohibit a Plan subject to those provisions (each, a "Benefit Plan Investor") from engaging in certain transactions with persons that are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to such Benefit Plan Investor. A violation of these "prohibited transaction" rules may result in an excise tax or other penalties and liabilities under ERISA and the Code for such persons or the fiduciaries of such Benefit Plan Investor. In addition, Title I of ERISA requires fiduciaries of a Benefit Plan Investor subject to ERISA to make investments that are prudent, diversified and in accordance with the governing plan documents. Plans that are U.S. governmental plans (as defined in Section 3(32) of ERISA) and certain church plans (as defined in Section 3(33) of ERISA) are not subject to the fiduciary and prohibited transaction provisions of ERISA or Section 4975 of the Code. However, such plans may be subject to similar restrictions under applicable state, local or other law ("Similar Law").

The purchase of the 2010 Series A Bonds by or on behalf of a Benefit Plan Investor could give rise to a prohibited transaction if the underwriter or an affiliate of the underwriter is a party in interest or a disqualified person with respect to such Benefit Plan Investor. Certain statutory and administrative exemptions from the prohibited transaction rules could be applicable to the purchase of the 2010 Series A Bonds by a Benefit Plan Investor depending on the type and circumstances of the plan fiduciary making the decision to acquire such 2010 Series A Bonds and the relationship of the party in interest or disqualified person to the Benefit Plan Investor. Included among these exemptions are: Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code for certain transactions between a Benefit Plan Investor and non-fiduciary service providers to the Benefit Plan Investor; Prohibited Transaction Class Exemption ("PTCE") 96-23, regarding transactions effected by "in-house asset managers;" PTCE 95-60, regarding investments by insurance company general accounts; PTCE 91-38, regarding investments by bank collective investment funds; PTCE 90-1, regarding investments by insurance company pooled separate accounts; and PTCE 84-14, regarding transactions effected by "qualified professional asset managers." Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts which might be construed as prohibited transactions. There can be no assurance that any of these, or any other exemption, will be available with respect to any particular transaction involving the 2010 Series A Bonds, and prospective investors that are Benefit Plan Investors and other Plans should consult with their legal advisors regarding the applicability of any such exemption and other applicable legal requirements.

By acquiring a 2010 Series A Bond (or interest therein), each purchaser (and if the purchaser is a Plan, its fiduciary) is deemed to represent and warrant that either (i) it is not acquiring the 2010 Series A Bond (or interest therein) with the assets of a Benefit Plan Investor, a U.S. governmental plan or church plan or (ii) the acquisition of the 2010 Series A Bond (or interest therein) will not give rise to a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of Similar Law.

2010 Series B Bonds

Federal Income Taxes

The Code imposes certain requirements that must be met at and subsequent to the issuance and delivery of the 2010 Series B Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2010 Series B Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the 2010 Series B Bonds. The District has covenanted to comply with the provisions of the Code applicable to the 2010 Series B Bonds, and has covenanted not to take any action or permit any action that would cause the interest on the 2010 Series B Bonds to be included in gross income under Section 103 of the Code. In addition, the District has made certain

representations and certifications in the Tax Certificate as to Arbitrage and the Provisions of Sections 141-150 of the Code. Bond Counsel will not independently verify the accuracy of those certifications and representations.

In the opinion of Drinker Biddle & Reath LLP, Bond Counsel, under existing statutes and court decisions, and assuming compliance with the aforementioned covenants and the accuracy of certain representations and certifications made by the District described above, interest on the 2010 Series B Bonds is excluded from gross income of the owners thereof for federal income tax purposes under Section 103 of the Code. In the further opinion of Bond Counsel, interest on the 2010 Series B Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations; such interest, however, is included in adjusted current earnings in calculating alternative minimum taxable income for purposes of the alternative minimum tax imposed under the Code on certain corporations.

State Taxes

Bond Counsel is also of the opinion that, under existing law, interest on the 2010 Series B Bonds is exempt from income taxes imposed by the State of Arizona.

Original Issue Premium

The initial public offering price of certain 2010 Series B Bonds may be greater than the stated redemption price thereof at maturity. The difference between the initial public offering price for any such 2010 Series B Bond and the stated redemption price at maturity is "original issue premium." For federal income tax purposes original issue premium is amortizable periodically over the term of a 2010 Series B Bond through reductions in the holder's tax basis for the 2010 Series B Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the 2010 Series B Bond rather than creating a deductible expense or loss. Purchasers of the 2010 Series B Bonds should consult their tax advisors for an explanation of the accrual rules for original issue premium and any other federal, state or local tax consequences of the purchase of 2010 Series B Bonds with original issue premium.

Original Issue Discount

The initial public offering price of certain 2010 Series B Bonds may be less than the stated redemption price thereof at maturity. The difference between the initial public offering price for any such 2010 Series B Bond and the stated redemption price at maturity is "original issue discount." For federal income tax purposes, original issue discount on a 2010 Series B Bond accrues to original holders of the 2010 Series B Bond over the period of its maturity based on the constant yield method compounded annually as interest with the same tax exemption and alternative minimum tax status as regular interest. The accrual of original issue discount increases the holder's tax basis in the 2010 Series B Bond for determining taxable gain or loss on the maturity, redemption, prior sale or other disposition of a 2010 Series B Bond. Purchasers of the 2010 Series B Bonds should consult their tax advisors for an explanation of the accrual rules for original issue discount and any other federal, state or local tax consequences of the purchase of 2010 Series B Bonds with original issue discount.

Ancillary Tax Matters

Ownership of the 2010 Series B Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving social security or railroad retirement benefits, and individuals seeking to claim the earned income credit. Ownership of the 2010 Series B Bonds may also result in other federal tax consequences to taxpayers who may be deemed to have incurred or continued indebtedness to purchase or to carry the 2010 Series B Bonds. For certain bonds issued during 2009 and 2010, the American Recovery and Reinvestment Act of 2009 modifies the application of those rules as they apply to financial institutions. Prospective investors are advised to consult their own tax advisors regarding these rules.

Commencing with interest paid in 2006, interest paid on tax-exempt obligations such as the 2010 Series B Bonds is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. In addition, interest on the 2010 Series B Bonds may be subject to backup withholding if such interest is paid to a registered

owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Bond Counsel is not rendering any opinion on any federal tax matters other than those described under the caption "TAX MATTERS". Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the 2010 Series B Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the 2010 Series B Bonds for federal or state income tax purposes, and thus on the value or marketability of the 2010 Series B Bonds. This impact could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of interest on the 2010 Series B Bonds from gross income of the owners thereof for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the 2010 Series B Bonds may occur. Prospective purchasers of the 2010 Series B Bonds should consult their own tax advisors regarding such matters.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the 2010 Series B Bonds may affect the tax status of interest on the 2010 Series B Bonds. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the 2010 Series B Bonds, or the interest thereon, if any action is taken with respect to the 2010 Series B Bonds or the proceeds thereof upon the advice or approval of other counsel.

APPROVAL OF LEGAL MATTERS

Legal matters incident to the authorization and issuance of the 2010 Series Bonds are subject to the approval of Drinker Biddle & Reath LLP, Bond Counsel, whose final approving opinion will be delivered with the 2010 Series Bonds in substantially the form attached hereto as Appendix C. Certain legal matters in connection with the 2010 Series Bonds will be passed upon for the District by Jennings, Strouss & Salmon, P.L.C. Certain legal matters will be passed upon for the Underwriters by Winston & Strawn LLP, counsel to the Underwriters.

The various legal opinions and/or certification to be delivered concurrently with the delivery of the 2010 Series Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion and/or certification, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or the future performance of parties to the transaction. Nor does the rendering of an opinion and/or certification guarantee the outcome of any legal dispute that may arise out of the transaction.

RATINGS

Moody's Investor Service and Standard & Poor's Corporation have given the ratings of Aa1 and AA, respectively, to the 2010 Series Bonds. Such ratings reflect only the view of such organizations, and an explanation of the significance of such rating may be obtained only from the respective rating agency. There is no assurance that such ratings will be maintained for any given period of time, or that they will not be revised downward, or be withdrawn entirely by the respective rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2010 Series Bonds.

CONTINUING DISCLOSURE

Pursuant to the Continuing Disclosure Agreement, the District will covenant for the benefit of the holders and Beneficial Owners of the 2010 Series Bonds to provide certain financial information and operating data relating to the District by not later than 180 days after the end of each of the District's fiscal years (presently, each April 30), commencing with the fiscal year ending April 30, 2011 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events with respect to the 2010 Series Bonds, if material. The Continuing Disclosure Agreement provides that the Annual Report and any notices of such material events will be filed by or on behalf of the District through the Electronic Municipal Market Access system operated by the Municipal Securities Rulemaking Board and with the State information repository, if any, established by the State of Arizona. Under the Continuing Disclosure Agreement, the sole remedy for any Bondholder upon an event of default is a lawsuit for specific performance in a court of competent jurisdiction. See "Appendix D — Form of Continuing Disclosure Agreement."

The District's covenant is being made in order to assist the Underwriters in complying with the secondary market disclosure requirements of Rule 15(c)2-12 of the Securities and Exchange Commission (the "Rule"). The District has never failed to comply in any material respect with any previous undertaking with regard to the Rule to provide annual reports or notices of material events.

The District has not failed to comply, in any material respects, with any previous undertakings in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule, as amended.

INDEPENDENT ACCOUNTANTS

The financial statements of SRP as of April 30, 2010 and April 30, 2009 and for the years then ended, included in this Official Statement, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing herein.

FINANCIAL ADVISOR

The District has retained Public Financial Management ("PFM") as its financial advisor. Although PFM has assisted in the preparation of this Official Statement, PFM is not obligated to undertake and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey Demgen & Moore Inc., a firm of independent public accountants, will deliver to the District, on or before the date of issuance of the 2010 Series B Bonds, its verification report indicating that it has verified certain information provided by the District and the Underwriters with respect to the Refunded Bonds and the 2010 Series B Bonds. Included in the scope of Causey Demgen & Moore Inc.'s procedures will be a verification of the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Government Obligations (as defined in the Resolutions) to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds; and (b) the mathematical computations supporting the conclusion of Bond Counsel that the 2010 Series B Bonds are not "arbitrage bonds" under the Code and the regulations promulgated thereunder.

The verification performed by Causey Demgen & Moore Inc. will be solely based upon data, information and documents that the District and the Underwriters caused to be provided to Causey Demgen & Moore Inc. The Causey Demgen & Moore Inc. report of its verification will state that Causey Demgen & Moore Inc. has no obligation to update the report because of events occurring, or data or information coming to its attention, subsequent to the date of the report.

OTHER AVAILABLE INFORMATION

SRP prepares an annual report with respect to each fiscal year ending April 30, which typically becomes available in September of the following fiscal year. The annual report includes information relating to SRP's staff, legal and financial services, operations and audited financial statements for the fiscal year ending April 30. SRP's financial statements are presented on a combined basis including the financial information of both the District and the Association.

Copies of the annual report and audited financial statements for the year ended April 30, 2010 may be obtained on the District's webpage www.srpnet.com or by writing to Salt River Project Agricultural Improvement and Power District, Corporate Communications, PAB340, P.O. Box 52025, Phoenix, AZ 85072-2025.

MISCELLANEOUS

References herein to the Act, the Resolution and certain other statutes, resolutions and contracts are brief discussions of certain provisions thereof. Such discussions do not purport to be complete, and reference is made to such documents for full and complete statements of such provisions.

Any statements made in this Official Statement involving matters of opinion or of projections, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the projections will be realized.

The District has authorized the execution and delivery of this Official Statement.

Salt River Project Agricultural Improvement and Power District

/s/ David Rousseau
President

/s/ Richard H. Silverman
General Manager

Attest:

/s/ Terrill A. Lonon
Corporate Secretary

REPORT OF INDEPENDENT AUDITORS

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
350 South Grand Avenue
Los Angeles CA 90071
Telephone (213) 356 6000
Facsimile (813) 637 4444

Report of Independent Auditors

To the Board of Directors of the
Salt River Project Agricultural Improvement and
Power District and the Board of Governors of the
Salt River Valley Water Users' Association

In our opinion, the accompanying combined balance sheets and the related combined statements of net revenues and comprehensive income, and cash flows present fairly, in all material respects, the financial position of the Salt River Project Agricultural Improvement and Power District and its subsidiaries and the Salt River Valley Water Users' Association (collectively, "SRP") at April 30, 2010 and 2009, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of SRP's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

July 21, 2010

SALT RIVER PROJECT
COMBINED BALANCE SHEETS
APRIL 30, 2010 AND 2009
(Thousands)

ASSETS

	2010	2009
Utility Plant		
Plant in Service -		
Electric	$10,653,944	$ 9,299,342
Irrigation	312,388	304,032
Common	520,139	505,524
Total plant in service	11,486,471	10,108,898
Less - Accumulated depreciation on plant in service	(5,305,370)	(4,988,868)
	6,181,101	5,120,030
Plant held for future use	5,960	3,883
Construction work in progress	790,256	1,559,300
Nuclear fuel, net	123,310	111,515
	7,100,627	6,794,728
Other Property and Investments		
Non-utility property and other investments	183,354	206,825
Segregated funds, net of current portion	799,760	1,039,178
	983,114	1,246,003
Current Assets		
Cash and cash equivalents	235,029	379,482
Temporary Investments	290,307	145,664
Current portion of segregated funds	241,609	211,498
Receivables, net of allowance for doubtful accounts	202,225	183,680
Fuel stocks	43,486	44,622
Materials and supplies	131,192	133,868
Current derivative assets	26,873	60,193
Other current assets	19,110	19,163
	1,189,831	1,178,170
Deferred Charges and Other Assets		
Regulatory assets	789,268	779,299
Non-current derivative assets	13,026	5,790
Other deferred charges and other assets	76,988	69,313
	879,282	854,402
	$10,152,854	$10,073,303

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

SALT RIVER PROJECT
COMBINED BALANCE SHEETS
APRIL 30, 2010 AND 2009
(Thousands)

CAPITALIZATION AND LIABILITIES

	2010	2009
Long-term Debt	$ 4,051,931	$ 3,831,657
Accumulated Net Revenues	3,962,788	3,591,813
Total Capitalization	8,014,719	7,423,470
Current Liabilities		
Current portion of long-term debt	147,180	132,645
Commercial paper	-	375,000
Accounts payable	200,672	248,454
Accruced taxes and tax equivalents	72,339	62,686
Accrued interest	67,407	63,779
Customers' deposits	81,446	80,010
Current derivative liabilities	64,441	162,286
Other current liabilities	290,822	285,998
	924,307	1,410,858
Deferred Credits and Other Non-current Liabilities		
Accrued post-retirement liability	754,650	792,328
Asset retirement obligations	199,348	187,801
Non-current derivative liabilities	32,025	39,511
Other deferred credits and other non-current liabilities	227,805	219,335
	1,213,828	1,238,975
Commitments and Contingencies (Notes 7, 9, 10, 13, and 14)		
	$ 10,152,854	$ 10,073,303

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

SALT RIVER PROJECT
COMBINED STATEMENTS OF NET REVENUES
FOR THE YEARS ENDED APRIL 30, 2010 AND 2009
(Thousands)

	2010	2009
Operating Revenues		
Retail electric	$ 2,361,274	$ 2,318,582
Water	14,373	14,107
Other	325,966	434,335
Total operating revenues	2,701,613	2,767,024
Operating Expenses		
Power purchased	403,093	581,731
Fuel used in electric generation	554,113	948,335
Other operating expenses	565,259	499,643
Maintenance	287,541	270,678
Depreciation and amortization	408,525	384,848
Taxes and tax equivalent	102,092	92,840
Total operating expenses	2,320,623	2,778,075
Net operating revenues (expenses)	380,990	(11,051)
Other Income		
Investment income (loss), net	140,787	(99,669)
Other income (deductions), net	(12,412)	(3,828)
Total other income, net	128,375	(103,497)
Net revenues (expenses) before financing costs	509,365	(114,548)
Financing Costs		
Interest on bonds	186,429	160,747
Capitalized interest	(52,938)	(44,643)
Amortization of bond discount/premium and issuance expenses	(8,995)	(6,174)
Interest on other obligations	13,894	22,544
Net financing costs	138,390	132,474
Net Revenues (Expenses)	370,975	(247,022)

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

SALT RIVER PROJECT
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED APRIL 30, 2010 AND 2009
(Thousands)

	2010	2009
Cash Flows from Operating Activities		
Net Revenues	$ 370,975	$ (247,022)
Adjustments to reconcile net revenues to net cash provided by operating activities:		
Depreciation, amortization and accretion	408,525	384,848
Amortization of bond discount (premium) and issuance expenses	(8,995)	(6,174)
Change in fair value of derivative instruments	(79,076)	327,769
Change in fair value of investment securities	(112,483)	92,271
(Loss) gain on sale of capital assets	(231)	(643)
Decrease (increase) in:		
Fuel stocks and materials and supplies	3,812	(16,501)
Receivables, including unbilled revenues, net	(18,545)	57,946
Other current assets	53	(47,256)
Deferred charges and other assets	24,508	(188,624)
Increase (decrease) in:		
Accounts payable	(70,799)	(99,726)
Accrued taxes and tax equivalents	9,653	(9,914)
Accrued interest	3,628	14,657
Current liabilities	(8,662)	9,971
Deferred credits and other non-current liabilities	(95,764)	171,471
Net cash provided by operating activities	426,599	443,073
Cash Flows from Investing Activities		
Additions to utility plant, net	(685,954)	(955,457)
Proceeds from disposition of assets	4,483	5,176
Purchases of investments	(945,442)	(1,083,979)
Sales and maturities of investments	991,248	999,617
Net change in short-term investments related to segregated funds	225,094	62,768
Net cash used for investing activities	(410,571)	(971,875)
Cash Flows from Financing Activities		
Proceeds from issuance of revenue bonds	296,000	760,606
Retirement of commercial paper	(325,000)	(100,000)
Repayment of long-term debt, including refundings	(131,481)	(166,750)
Net cash (used for)/ provided by financing activities	(160,481)	493,856
Net Increase (Decrease) in Cash and Cash Equivalents	(144,453)	(34,946)
Balance at Beginning of Year in Cash and Cash Equivalents	379,482	414,428
Balance at End of Year in Cash and Cash Equivalents	$ 235,029	$ 379,482
Supplemental Information		
Cash paid for interest (net of capitalized interest)	$ 143,757	$ 124,526

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

SALT RIVER PROJECT
NOTES TO COMBINED FINANCIAL STATEMENTS
APRIL 30, 2010 AND 2009

(1) BASIS OF PRESENTATION:

The Company

The Salt River Project Agricultural Improvement and Power District (the District) is an agricultural improvement district organized in 1937 under the laws of the State of Arizona. It operates the Salt River Project (the Project), a federal reclamation project, under contracts with the Salt River Valley Water Users' Association (the Association), by which it has assumed the obligations and assets of the Association, including its obligations to the United States of America for the care, operation and maintenance of the Project. The District owns and operates an electric system that generates, purchases, transmits and distributes electric power and energy, and provides electric service to residential, commercial, industrial and agricultural power users in a 2,900 square mile service territory in parts of Maricopa, Gila and Pinal Counties, plus mine loads in an adjacent 2,400 square mile area in Gila and Pinal Counties. The Association, incorporated under the laws of the Territory of Arizona in 1903, operates an irrigation system as the agent of the District. The District and the Association are together referred to as SRP.

Principles of Combination

The accompanying combined financial statements reflect the combined accounts of the Association and the District. The District's financial statements are consolidated with its three wholly-owned taxable subsidiaries: SRP Captive Risk Solutions, Limited (CRS), Papago Park Center, Inc. (PPC) and New West Energy Corporation (New West Energy). CRS is a domestic captive insurer incorporated primarily to access property/boiler and machinery insurance coverage under the Federal Terrorism Risk Insurance Act of 2002 for certified acts of terrorism. PPC is a real estate management company. New West Energy was used to market, at retail, energy available to the District that was surplus to the needs of its retail customers, and energy that might have been rendered surplus in Arizona by retail competition in the supply of generation, but is now largely inactive. All material inter-company transactions and balances have been eliminated.

Possession and Use of Utility Plant

The United States of America retains a paramount right or claim in the Project that arises from the original construction and operation of certain of the Project's electric and water facilities as a federal reclamation project. Rights to the possession and use of, and to all revenues produced by, these facilities are evidenced by contractual arrangements with the United States of America.

Basis of Accounting

The accompanying combined financial statements are presented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The preparation of financial statements in compliance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and disclosures of contingencies. Actual results could differ from the estimates.

By virtue of SRP operating a federal reclamation project under contract, with the federal government's pre-emptive rights, asset ownership and certain approval rights, SRP is subject to accounting standards as set forth by the Federal Accounting Standards Advisory Board (FASAB). Entities reporting in accordance with the standards issued by the Financial Accounting Standards Board (FASB) prior to October 19, 1999 (the date the American Institute of Certified Public Accountants (AICPA) designated the FASAB as the accounting standard setting body for entities under the federal government) are permitted to continue to report in accordance with those standards. Consequently, SRP's financial statements are reported in accordance with FASB standards.

Regulation and Pricing Policies

Under Arizona law, the District's publicly elected Board of Directors (Board) has the authority to establish electric prices. The District is required to follow certain public notice and special Board meeting procedures before implementing any changes in the standard electric price plans. The financial statements reflect the pricing policies of the District's Board. The District's electric operations apply authoritative guidance for regulated enterprises.

(2) SIGNIFICANT ACCOUNTING POLICIES:

Regulatory Accounting

The District accounts for the financial effects of the regulated portion of its operations in accordance with the provisions of authoritative guidance for regulated operations, which requires cost-based, rate-regulated utilities to reflect the impacts of regulatory decisions in their financial statements. The District records regulatory assets, which represent probable future recovery of certain costs from customers through the pricing process, and regulatory liabilities, which represent probable future credits to customers through the ratemaking process. Based on actions of the Board, the District believes the future collection of costs deferred through regulatory assets is probable. If events were to occur making full recovery of these regulatory assets no longer probable, the District would be required to write off the remaining balance of such assets as a one-time charge to net revenues. None of the regulatory assets earn a rate of return.

The District includes the following regulatory assets in the accompanying Combined Balance Sheets as of April 30:

	2010	2009
Pension and other postretirement benefits (Note 9)	$ 658,895	$ 609,390
Bond defeasance	74,101	78,280
Mohave Generating Station	44,203	52,004
Nuclear decommissioning	12,069	39,625
Total regulatory assets	$ 789,268	$ 779,299

The pension and other postretirement benefits regulatory asset is adjusted as changes in actuarial gains and losses, prior service costs and transition assets or obligations are recognized as components of net periodic pension costs each year and is recovered through prices charged to customers.

Bond defeasance regulatory assets are recovered over the remaining original amortization period of the reacquired debt ending in fiscal year 2031.

The Mohave Generating Station regulatory asset is being recovered on a straight-line basis over a ten-year period ending in fiscal year 2016.

The nuclear decommissioning regulatory asset is being deferred over the life of Palo Verde Nuclear Generating Station (PVNGS) and is being recovered through a component of the system benefits charge. Any difference between current year costs and revenues associated with nuclear decommissioning are deferred in accordance with authoritative guidance for regulated enterprises and has no impact to the District's earnings.

Utility Plant

Utility plant is stated at the historical cost of construction, less any impairment losses. Capitalized construction costs include labor, materials, services purchased under contract, and allocations of indirect charges for engineering, supervision, transportation and administrative expenses and capitalized interest or an allowance for funds used during construction (AFUDC). The cost of property that is replaced, removed or abandoned, together with removal costs, less salvage, is charged to accumulated depreciation.

Depreciation expense is computed on the straight-line basis over the estimated useful lives of the various classes of plant assets. The following table reflects the District's average depreciation rates on the average cost of depreciable assets, for the fiscal years ended April 30:

	2010	2009
Average electric depreciation rate	3.60%	3.67%
Average irrigation depreciation rate	2.02%	2.02%
Average common depreciation rate	6.14%	6.54%

Allowance for Funds Used During Construction

AFUDC is the estimated cost of funds used to finance plant additions and is recovered in prices through depreciation expense over the useful life of the related asset. AFUDC is capitalized during certain plant construction and included in capitalized interest in the accompanying Combined Statements of Net Revenue. Composite rates of 5.02% and 4.52% were used in fiscal years 2010 and 2009 to calculate interest on funds used to finance construction work in progress, resulting in $52.9 million and $44.6 million of interest capitalized, respectively.

Nuclear Fuel

The District amortizes the cost of nuclear fuel using the units-of-production method. The units-of-production method is an amortization method based on actual physical usage. The nuclear fuel amortization and accrued expenses for both the interim and permanent disposal of spent nuclear fuel are components of fuel expense. Accumulated amortization of nuclear fuel at April 30, 2010 and 2009 was $471.8 million and $447.0 million, respectively. (See Note (14) CONTINGENCIES, Spent Nuclear Fuel for additional information).

Asset Retirement Obligations

SRP accounts for its asset retirement obligations in accordance with authoritative guidance which requires the recognition and measurement of liabilities for legal obligations associated with the retirement of tangible long-lived assets. Liabilities for asset retirement obligations are recognized at fair

value as incurred and capitalized as part of the cost of the related tangible long-lived assets. Accretion of the liabilities, due to the passage of time, is an operating expense and the capitalized cost is depreciated over the useful life of the long-lived asset. Retirement obligations associated with long-lived assets are those for which a legal obligation exists under enacted laws, statutes, and contracts, including obligations arising under the doctrine of promissory estoppel.

The District has identified retirement obligations for the PVNGS, Navajo Generating Station (NGS), Four Corners Generating Station (Four Corners) and certain other assets. Amounts recorded for asset retirement obligations are subject to various assumptions and determinations, such as determining whether an obligation exists to remove assets, estimating the fair value of the costs of removal, estimating when final removal will occur, and determining the credit-adjusted, risk-free interest rates to be utilized on discounting future liabilities. Changes that may arise over time with regard to these assumptions and determinations will change amounts recorded in the future as expense for asset retirement obligations.

A summary of the asset retirement obligation activity of the District at April 30 is included below (in thousands):

	2010	2009
Beginning balance, May 1	$ 187,801	$ 177,331
Changes in estimate	-	(415)
Accretion expense	11,547	10,885
Ending balance, April 30	$ 199,348	$ 187,801

Investments in Debt and Equity Securities

SRP invests in various debt and equity securities. Debt securities that SRP has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and reported at amortized cost. Debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings. SRP has adopted the fair value option for all debt and equity securities other than those classified as held-to-maturity securities. All such securities are reported at fair value, with unrealized gains and losses included in earnings. SRP does not classify any securities as available-for-sale. (See Note (3) FAIR VALUE OF FINANCIAL INSTRUMENTS.)

Nuclear Decommissioning

In accordance with regulations of the Nuclear Regulatory Commission, the District maintains a trust for the decommissioning of PVNGS. The Nuclear Decommissioning Trust (NDT) funds are invested in debt and equity securities. The District has elected the fair value option for all NDT securities and such securities are reported as trading securities. The NDT funds, stated at fair value, as of April 30, 2010 and 2009, were $211.4 million and $152.1 million, respectively. The NDT funds are classified as segregated funds in the accompanying Combined Balance Sheets and are exempt from federal and state income taxes. (See Note (3) FAIR VALUE OPTION for additional information about the NDT.)

Segregated Funds

The District sets aside funds that are segregated due to management intent and to support various purposes. The District also has certain funds that are legally restricted. The following amounts are included in segregated funds in the accompanying Combined Balance Sheets at April 30 (in thousands):

	2010	2009
Segregated funds – legally restricted		
Nuclear Decommissioning Trust	$ 211,374	$ 152,111
Collateral investment pool	136,710	112,499
Debt Reserve Fund (see "Revenue Bonds" in Note 7)	80,598	80,598
Other	20,271	11,363
Construction Fund (see "Capital Improvement Program" in Note 13)	1	421,856
Total segregated funds – legally restricted	448,954	778,427
Segregated funds – other		
Benefits funds	483,428	372,455
Debt Service Fund (see "Revenue Bonds" in Note 7)	104,899	99,000
Other	4,088	794
Total segregated funds – other	592,415	472,249
Total segregated funds, including current portion	$ 1,041,369	$ 1,250,676

Securities Lending

The District's pension plan, NDT and other postretirement benefits plans participate in a securities lending program with the trustees of the investments. The program authorizes the trustee of the particular investments to lend securities, which are assets of the plans, to approved borrowers. The trustees require borrowers, pursuant to a security lending agreement, to deliver collateral to secure each loan. The loaned securities are required to be collateralized. Under the program, the borrowers deliver collateral having a market value not less than 102% of the market value of the loaned securities. The cash collateral received is invested in a collateral pool made up of fixed income securities. The District's pension plan, NDT and other postretirement benefits plans bear the risk of loss with respect to unfavorable changes in fair value of the invested collateral.

For loaned securities related to the NDT and the other postretirement benefits plans, the District records an obligation for the collateral received as other current liabilities and records the collateral investment pool, at fair value, in current portion of segregated funds, both in the accompanying Combined Balance Sheets. The pension plan's participation in the securities lending program is contained within the pension plan. (See Note (5) FAIR VALUE MEASUREMENTS and Note (9) EMPLOYEE BENEFIT PLANS AND INCENTIVE PROGRAMS, Fair Value of Plan Assets for more information related to collateral pool investments.)

Cash Equivalents

Cash equivalents include money market funds and highly liquid short-term investments with original maturities of three months or less, excluding those short-term investments included as part of the segregated funds and investments included in non-utility property and other investments in the accompanying Combined Balance Sheets. (For further discussion of financial instruments see Note (5) FAIR VALUE MEASUREMENTS.)

Rate Stabilization Fund

In accordance with Board action taken on March 11, 2010, SRP transferred $45.7 million into the Rate Stabilization Fund (RSF) in July 2010. The funds may be used to stabilize future prices or for any other corporate purpose approved by the Board.

Allowance for Doubtful Accounts

The District has provided for an allowance for doubtful accounts of $10.1 million and $9.3 million as of April 30, 2010 and 2009, respectively.

Materials and Supplies, and Fuel Stocks

Materials and supplies are stated at lower of market or average cost. Fuel stocks are stated at lower of market or weighted average cost.

Bond Expense

Bond discount, premium and issuance expenses are deferred and amortized using the effective interest method over the terms of the related bond issues.

Voluntary Contributions in Lieu of Taxes

In accordance with Arizona law, the District makes voluntary contributions each year to the State of Arizona, school districts, cities, counties, towns and other political subdivisions of the State of Arizona, for which property taxes are levied and within whose boundaries the District has property included in its electric system. As a political subdivision of the State of Arizona, the District is exempt from property taxation. The amount paid is computed on the same basis as ad valorem taxes paid by a private utility corporation with allowance for certain water-related deductions. Contributions based on the costs of construction work in progress are capitalized, and those based on plant-in-service are expensed.

Revenue Recognition

The District recognizes revenue when billed and accrues estimated revenue for electricity delivered to customers that has not yet been billed. The estimated revenue for electricity delivered but not yet billed is included in retail electric revenue and was $63.7 million and $62.1 million at April 30, 2010 and 2009, respectively. The District changed the method of estimating electricity delivered but not yet billed in fiscal year 2010 to incorporate meter data that was not previously available. The change in estimate resulted in $10.0 million increase in electricity delivered but not yet billed as compared to the previous methodology and is reflected in retail electric revenues and receivables, net of doubtful accounts in the accompanying combined financial statements at April 30, 2010. The change in estimate also resulted in a $10.0 million increase in total operating revenues and net revenues (expenses) at April 30, 2010. Other operating revenue consists primarily of revenue from marketing and trading electricity.

The electric industry engages in an activity called "book-out" under which some energy purchases are netted against sales and power does not actually flow in settlement of the contract. The District presents the impacts of these financially settled contracts on a net basis, which resulted in a net

reduction to revenue and purchase power expense of $27.8 million and $115.1 million for fiscal years 2010 and 2009, respectively, but which did not impact net revenues or cash flows.

Sales and Use Taxes

The District is required by various government authorities, including states and municipalities, to collect and remit taxes on certain retail sales. Such taxes are presented on a net basis and excluded from revenues and expenses in the accompanying combined financial statements.

Income Taxes

The District is exempt from federal and Arizona state income taxes. The Association is not exempt from federal and Arizona state income taxes. However, the Association is not liable for income taxes on operations relating to its acting as an agent for the District on the basis of a settlement with the Commissioner of Internal Revenue in 1949 which was approved by the Secretary of the Treasury. The Association is liable for income taxes on activities where it is not acting as an agent of the District. The tax effect of the District's wholly-owned taxable subsidiaries' operations is immaterial to the accompanying combined financial statements.

Accounting for Energy Risk Management Activities

The District has an energy risk management program to limit exposure to risks inherent in normal energy business operations. The goal of the energy risk management program is to measure and manage exposure to market risks, credit risks and operational risks. Specific goals of the energy risk management program include reducing the impact of market fluctuations on energy commodity prices associated with customer energy requirements, excess generation and fuel expenses, in addition to meeting customer pricing needs, and maximizing the value of physical generating assets. The District employs established policies and procedures to meet the goals of the energy risk management program using various physical and financial instruments, including forward contracts, futures, swaps and options.

Certain of these transactions are accounted for as derivatives and are recorded in the balance sheet as either an asset or liability measured at their fair value. Changes in the fair value of derivatives are recognized each period in current earnings or other comprehensive income depending on the purpose for using the derivative and/or its qualification, designation and effectiveness as a hedging transaction. Many of the District's contractual agreements qualify for the normal purchases and normal sales exception and are not recorded at market value. This exception applies to physical sales and purchases of power or fuel where it is probable that physical delivery will occur; the pricing provisions are clearly and closely related to the contracted prices; and the documentation requirements are met. (For further explanation of the effects of derivatives on SRP's financial results, see Note (4), DERIVATIVE INSTRUMENTS.)

Concentrations of Credit Risk

Financial instruments that potentially subject SRP to credit risk consist of cash and cash equivalents, temporary and other investments, and segregated funds. Certain balances exceed Federal Deposit Insurance Corporation (FDIC) insured limits or are invested in money market accounts with investment banks that are not FDIC insured. SRP's cash and cash equivalents, temporary and other investments, and segregated funds are placed in credit-worthy financial institutions and certain money market accounts invest in U.S. Treasury Securities or other obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities.

The use of contractual arrangements to manage the risks associated with changes in energy commodity prices creates credit risks resulting from the possibility of nonperformance by counterparties pursuant to the terms of their contractual obligations. In addition, volatile energy prices can create significant credit exposure from energy market receivables and mark-to-market valuations. The District has a credit policy for wholesale counterparties, continuously monitors credit exposures, and routinely assesses the financial strength of its counterparties. The District minimizes credit risk by dealing primarily with creditworthy counterparties, entering into standardized agreements which allow netting of exposures to and from a single counterparty, and requiring letters of credit, parent guarantees or other collateral when it does not consider the financial strength of a counterparty sufficient.

Prior Year Revisions

During fiscal year 2010, SRP determined that pension plan contributions had been improperly reported in the fiscal year 2009 cash flow statement. SRP revised the previously issued financial statements to properly report the contributions, resulting in a $50 million increase in net cash provided by operating activities, with a corresponding increase in cash used by investing activities in the accompanying Combined Statements of Cash Flows.

Recently Issued Accounting Standards

Accounting Standards Codification

In June 2009, the FASB issued Accounting Standards Update (ASU) No. 2009-01, *"Topic 105 – Generally Accepted Accounting Principles."* The update provides authoritative guidance replacing the previous hierarchy of U.S. GAAP and establishing the FASB Accounting Standards Codification (ASC) as the single source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities. This guidance modifies the U.S. GAAP hierarchy to include two levels: authoritative and nonauthoritative. SRP adopted this standard effective October 31, 2009. The adoption did not impact the accompanying combined financial statements since the FASB Codification is not intended to change or alter existing U.S GAAP.

Pension and Other Postretirement Benefit Plan Disclosures

In December 2008, the FASB issued authoritative guidance incorporated into ASC No. 715-20-50, *"Compensation - Retirement Benefits, Defined Benefit Plans – General,"* that requires employers to provide new disclosures about investments and other assets set aside to fund their pension and other postretirement benefit obligations. This guidance requires employers to disclose information about fair value measurements of plan assets, the investment policies and strategies for the major categories of plan assets, and significant concentrations of risk within plan assets. This guidance became effective for SRP as of April 30, 2010. As this guidance provides only disclosure requirements, the adoption of this standard did not impact SRP's accompanying combined financial statements. See Note (9), EMPLOYEE BENEFIT PLANS AND INCENTIVE PROGRAMS.

Fair Value Measurements

In September 2009, the FASB issued ASU No. 2009-12, *"Fair Value Measurements and Disclosures (Topic 820) – Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)."* The update provides further clarification for measuring the fair value of investments in entities that meet the

FASB's definition of an investment company. This guidance permits a company to estimate the fair value of an investment using the net asset value (NAV) per share of the investment if the NAV is determined in accordance with the FASB's guidance for investment companies as of the company's measurement date. This creates a practical expedient to determining a fair value estimate and allows certain attributes of the investment (such as redemption restrictions) to be excluded from the fair value measurement. Additionally, companies with investments within the scope of this guidance must disclose additional information related to the nature and risks of the investments. This guidance became effective for SRP as of January 31, 2010, and is required to be applied prospectively. SRP's segregated funds and pension plan assets contain certain investments, including alternative investments and commingled funds, which are within the scope of this guidance. As a result of the issuance of this guidance, SRP reclassified certain commingled funds from Level 3 in the fair value hierarchy to Level 2 in the fair value hierarchy. However, as the fair value of these investments was already determined based on NAV per fund share, this guidance did not have a material impact on SRP's accompanying combined financial statements. See Note (5), FAIR VALUE MEASUREMENTS and Note (9), EMPLOYEE BENEFIT PLANS AND INCENTIVE PROGRAMS.

Subsequent Events

In May 2009, the FASB issued ASC No. 855, *"Subsequent Events,"* that sets forth the period subsequent to the balance sheet date during which management of a reporting entity should evaluate events or transactions that might occur for potential recognition or disclosure in the financial statements; the circumstances under which an entity should recognize these events or transactions; and the disclosures that an entity should make.

In February 2010, the FASB issued ASU No. 2010-09, *"Subsequent Events (Topic 855): Amendments to Certain Recognition and Disclosure requirements,"* that requires an entity such as SRP to evaluate subsequent events through the date that the financial statements are issued. The amendment also requires an entity to disclose the date through which the subsequent events have been evaluated and the date the financial statements were issued. SRP will adopt the subsequent event guidance effective April 30, 2011.

Consolidation of Variable Interest Entities

In December 2009, the FASB issued ASU No. 2009-17, *"Consolidations (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities,"* that changes how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. Under the new guidance, the determination of whether a company is required to consolidate an entity is based on, among other things, an ability to direct the activities of the entity that most significantly impact the entity's economic performance and whether the entity has an obligation to absorb losses. This guidance requires a company to provide additional disclosures about its involvement with variable interest entities and any significant changes in risk exposure due to that involvement. SRP will adopt this guidance effective May 1, 2010, and is evaluating the impact, if any, that the adoption will have on the accompanying combined financial statements.

Transfers of Financial Assets

In December 2009, the FASB issued ASU No. 2009-16, *"Transfers and Servicing (Topic 860): Accounting for Transfers of Financial Assets,"* which eliminates the qualifying special purpose entity concept and the relation exception from consolidation, limits derecognition of financial assets when control still exists,

and requires enhanced disclosures. SRP will adopt this update effective May 1, 2010, and is evaluating the impact, if any, that the adoption will have on the combined financial statements.

Fair Value Measurements Disclosures

In January 2010, the FASB issued ASU No. 2010-06, "Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements." The update requires entities to disclose significant transfers in and out of fair value hierarchy levels and the reasons for the transfers and to present information about purchases, sales, issuances and settlements separately in the reconciliation of fair value measurements using significant unobservable inputs (Level 3). Additionally, the guidance clarifies that a reporting entity should provide fair value measurements for each class of assets and liabilities and disclose the inputs and valuation techniques used for fair value measurements using significant other observable inputs (Level 2) and significant unobservable inputs (Level 3). This guidance is effective for interim and annual periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the Level 3 reconciliation, which will be effective for interim and annual periods beginning after December 15, 2010. SRP adopted the new standard effective February 1, 2010, except that the new Level 3 activity disclosures will be effective prospectively beginning May 1, 2010. The adoption of the standard impacts disclosures only.

(3) FAIR VALUE OF FINANCIAL INSTRUMENTS:

SRP invests in U.S. government obligations, certificates of deposit and other marketable investments. Such investments are classified as cash and cash equivalents, temporary investments, other investments, and segregated funds in the accompanying Combined Balance Sheets depending on the purpose and duration of the investment.

Fair Value Option

SRP adopted authoritative guidance which permits an entity to choose to measure many financial instruments and certain other items at fair value. SRP has elected the fair value option for all investment securities other than those classified as held-to-maturity. Election of the fair value option requires the security to be reported as a trading security.

The fair value option was elected because management believes that fair value best represents the nature of the investments. While the investment securities held in these funds are reported as trading securities, the investments continue to be managed with a long-term focus. Accordingly, all purchases and sales within these funds are presented separately in the accompanying Statement of Cash Flows as investing cash flows, consistent with the nature and purpose for which the securities are acquired.

The following table provides detail regarding the impact of the initial adoption of the fair value option by combined balance sheet line as of May 1, 2008 (in thousands):

	Carrying Value of Financial Instruments as of May 1, 2008	Transition Gain(Loss) Recorded in Accumulated Net Revenues	Adjusted Carrying Value of Financial Instruments as of May 1, 2008
Cash and cash equivalents	$ 404,091	$ -	$ 404,091
Segregated funds, net of current portion	827,993	11,616	839,609
Cumulative effect of adoption of fair value option	$ 1,232,084	$ 11,616	$ 1,243,700

The adoption of the fair value option for investments held in the NDT had no impact on the earnings, cash flows, or financial condition of the District as all gains and losses, whether realized or unrealized, are recorded in the nuclear decommissioning regulatory asset or liability as authorized by the Board.

Investments in Marketable Debt and Equity Securities

The following table summarizes SRP's investments in debt and equity securities presented in the accompanying Combined Balance Sheets at April 30 (in thousands):

	2010	2009
Cash and cash equivalents		
Cash	$ 14,672	$ 21,652
Money market funds	220,357	347,859
Held-to-maturity investments	-	9,971
Total cash and cash equivalents	235,029	379,482
Non-utility property and other investments		
Money market funds	3,825	5,343
Trading investments	29,158	19,709
Held-to-maturity investments	70,080	103,535
Total non-utility property and other investments	103,063	128,587
Segregated funds, net of current portion		
Cash	4,088	798
Money market funds	33,176	280,147
Trading investments	691,872	514,277
Held-to-maturity investments	70,624	243,956
Total segregated funds, net of current portion	799,760	1,039,178
Temporary investments		
Held-to-maturity investments	290,307	145,664
Total temporary investments	290,307	145,664
Current portion of segregated funds		
Money market funds	49,427	20,270
Trading investments	136,710	112,499
Held-to-maturity investments	55,472	78,729
Total current portion of segregated funds	241,609	211,498
Total cash, cash equivalents and investments	$ 1,669,768	$ 1,904,409

SRP's investments in debt securities are measured and reported at amortized cost when there is positive intent and ability to hold the security to maturity. SRP's amortized cost and fair value of held-to-maturity securities were $486.5 million and $489.7 million, respectively, at April 30, 2010 and $581.9 million and $587.7 million, respectively, at April 30, 2009. At April 30, 2010, SRP's investments in debt securities have maturity dates ranging from May 17, 2010, to March 14, 2014.

SRP's trading investments are measured at fair value with unrealized trading gains and losses included in earnings. The following table summarizes unrealized gains (losses) from fair value changes included in earnings and presented in the accompanying combined financial statements at April 30 (in thousands):

	2010	2009
Segregated funds, net of current portion	$ 101,287	$ (85,695)
Current portion of segregated funds	5,233	(6, 576)
Non-utility property and other investments	5,963	-
Investment income (loss), net	$ 112,483	$ (92,271)

SRP elected the fair value option on all securities, excluding those classified as held-to-maturity and evaluates the held-to-maturity securities for other-than-temporary impairment on a quarterly basis considering numerous factors. At April 30, 2010, and 2009, SRP did not hold any other-than-temporarily impaired securities.

(4) DERIVATIVE INSTRUMENTS:

Commodity Derivatives

The District enters into contracts for electricity, natural gas and other energy commodities to meet the expected needs of its retail customers and, for the benefit of its electrical customers, to mitigate risk in connection with changes in commodity prices. The District sells excess capacity during periods when it is not needed to meet retail requirements. The District's energy risk management program uses various physical and financial contracts to economically hedge exposures to fluctuating commodity prices. The District examines contracts at inception to determine the appropriate accounting treatment. If a contract qualifies for the normal purchases and normal sales scope exception, the District accounts for the contract using settlement accounting (costs and revenues are recorded when physical delivery occurs).

Contracts that qualify as derivative instruments, including forward contracts, futures, swaps and options are recorded in the accompanying Combined Balance Sheets at fair value. Changes in fair value are recognized in earnings and included in the accompanying Combined Statements of Net Revenues and classified as part of operating cash flows in the accompanying Combined Statements of Cash Flows.

Interest Rate Derivatives

At April 30, 2009, the District had a fixed-receive-floating interest rate swap transaction with Morgan Stanley Capital Services with a remaining notional value of $25 million which expired December 1, 2009. The floating rate on the swap was based on the Securities Industry and Financial Markets Association (SIFMA) Municipal Index of 0.63% at April 30, 2009, and the fixed-receiver rate on the swap is 3.001%. The District did not have any interest rate derivatives at April 30, 2010.

Derivative Volumes

The District has the following gross derivative volumes, by commodity type, at April 30, 2010:

Commodity	Unit of Measure	Sales Volumes	Purchases Volumes
Natural gas options, swaps and forward arrangements	MMBTU	6,617,500	107,437,500
Electricity options, swaps and forward arrangements	MWH	4,057,565	5,632,000
Liquefied fuel swaps	Gallon	-	2,824,734

The District has the following gross derivative volumes, by commodity type, at April 30, 2009:

Commodity	Unit of Measure	Sales Volumes	Purchases Volumes
Natural gas options, swaps and forward arrangements	MMBTU	7,305,000	83,210,000
Electricity options, swaps and forward arrangements	MWH	4,226,890	2,065,475
Liquefied fuel swaps	Gallon	-	2,005,914

Presentation of Derivative Instruments in the Financial Statements

The following table provides information about the gross fair values, netting, and collateral and margin deposits for derivatives not designated as hedging instruments in the accompanying Combined Balance Sheets (in thousands):

April 30, 2010

	Current Derivative Assets	Non-current Derivative Assets	Current Derivative Liabilities	Non-current Derivative Liabilities	Long-term Debt	Total Assets (Liabilities)
Commodities	$ 26,313	$ 16,757	$ (73,722)	$ (35,756)	$ -	$ (66,408)
Netting	(11,786)	(3,731)	11,786	3,731	-	-
Collateral and margin deposits	12,346	-	(2,505)	-	-	9,841
Total balance sheet	$ 26,873	$ 13,026	$ (64,441)	$ (32,025)	$ -	$ (56,567)

April 30, 2009

	Current Derivative Assets	Non-current Derivative Assets	Current Derivative Liabilities	Non-current Derivative Liabilities	Long-term Debt	Total Assets
Commodities	$ 43,316	$ 10,661	$ (173,423)	$ (44,948)	$ -	$ (164,394)
Interest rate swap	-	566	-	-	172	738
Netting	(11,137)	(5,437)	11,137	5,437	-	-
Collateral and margin deposits	28,014	-	-	-	-	28,014
Total balance sheet	$ 60,193	$ 5,790	$ (162,286)	$ (39,511)	$ 172	$ (135,642)

The following table summarizes the District's unrealized gains (losses) associated with derivatives not designated as hedging instruments in the accompanying Combined Statements of Net Revenues (in thousands):

April 30, 2010					
	Operating Revenues	Power Purchased	Fuel Used in Electric Generation	Interest on Other Obligations	Net Unrealized Gain (Loss)
Commodities	$ (6,650)	$ 32,848	$ 61,559	$ -	$ 87,757
Total	$ (6,650)	$ 32,848	$ 61,559	$ -	$ 87,757

April 30, 2009					
	Operating Revenues	Power Purchased	Fuel Used in Electric Generation	Interest on Other Obligations	Net Unrealized Gain (Loss)
Commodities	$ (31,403)	$ (89,503)	$ (206,186)	$ -	$ (327,092)
Interest rate swap	-	-	-	(442)	(442)
Total	$ (31,403)	$ (89,503)	$ (206,186)	$ (442)	$ (327,534)

Credit Related Contingent Features

Certain of the District's derivative instruments contain provisions that require the District's debt to maintain an investment grade credit rating from each of the major credit rating agencies. If the District's debt were to fall below investment grade, it would violate these provisions, and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on derivative instruments in net liability positions. The aggregate fair value of all derivative liabilities with credit-risk-related contingent features as of April 30, 2010, was $80.7 million for which the District has not posted collateral in the normal course of business. If the credit-risk-related contingent features underlying these agreements were triggered on April 30, 2010, the District could be required to post an additional $80.7 million of collateral to its counterparties.

(5) FAIR VALUE MEASUREMENTS:

SRP adopted authoritative guidance which defines fair value, establishes methods for measuring fair value by applying one of three observable market techniques (market approach, income approach or cost approach) and expands required disclosures about fair value measurements. This standard defines fair value as the price that would be received for an asset, or paid to transfer a liability, in the most advantageous market for the asset or liability in an arms-length transaction between willing market participants at the measurement date.

SRP has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2 – Financial assets and liabilities whose values are based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in non-active

markets, pricing models whose inputs are observable for substantially the full term of the asset or liabilities and pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The following table sets forth, by level within the fair value hierarchy, SRP's financial assets and liabilities that were accounted for at fair value on a recurring basis as of April 30, 2010 (in thousands):

	Level 1	Level 2	Level 3	Netting and Collateral	Total
Assets					
Cash and cash equivalents:					
Money market funds	$ -	$ 220,357	$ -	$ -	$ 220,357
Total cash and cash equivalents	-	220,357	-	-	220,357
Non-utility property and other investments:					
Money market funds	-	3,825	-	-	3,825
Mutual funds	29,158	-	-	-	29,158
Total non-utility property and other investments	29,158	3,825	-	-	32,983
Segregated funds, net of current portion:					
Money market funds	-	33,176	-	-	33,176
Mutual funds	234,485	-	-	-	234,485
Commingled funds	-	226,449	4,118	-	230,567
Common stocks	223,568	3,252	-	-	226,820
Total segregated funds, net of current portion	458,053	262,877	4,118	-	725,048
Current portion of segregated funds:					
Money market fund	-	49,427	-	-	49,427
Collateral pool investments	-	-	136,710	-	136,710
Total current portion of segregated funds	-	49,427	136,710	-	186,137
Derivative instruments:					
Commodities	15,554	7,527	19,989	(3,171)	39,899
Total assets	$ 502,765	$ 544,013	$ 160,817	$ (3,171)	$ 1,204,424
Liabilities					
Derivative instruments:					
Commodities	$ (23,971)	$ (71,120)	$ (14,387)	$ 13,012	$ (96,466)
Total liabilities	$ (23,971)	$ (71,120)	$ (14,387)	$ 13,012	$ (96,466)

The following table sets forth, by level within the fair value hierarchy, SRP's financial assets and liabilities that were accounted for at fair value on a recurring basis as of April 30, 2009 (in thousands):

	Level 1	Level 2	Level 3	Netting and Collateral	Total
Assets					
Cash and cash equivalents:					
Money market funds	$ -	$ 347,859	$ -	$ -	$ 347,859
Total cash and cash equivalents	-	347,859	-	-	347,859
Non-utility property and other investments:					
Money market funds	-	5,343	-	-	5,343
Mutual funds	19,709	-	-	-	19,709
Total non-utility property and other investments	19,709	5,343	-	-	25,052
Segregated funds, net of current portion:					
Money market funds	-	280,147	-	-	280,147
Mutual funds	204,640	-	-	-	204,640
Commingled funds	-	-	156,043	-	156,043
Common stocks	153,594	-	-	-	153,594
Total segregated funds, net of current portion	358,234	280,147	156,043	-	794,424
Current portion of segregated funds:					
Money market fund	-	20,271	-	-	20,271
Collateral pool investments	-	-	112,499	-	112,499
Total current portion of segregated funds	-	20,271	112,499	-	132,770
Derivative instruments:					
Commodities	949	10,674	42,354	11,440	65,417
Interest rate swap	-	566	-	-	566
Total derivative instruments	949	11,240	42,354	11,440	65,983
Total assets	$ 378,892	$ 664,860	$ 310,896	$ 11,440	$ 1,366,088
Liabilities					
Derivative instruments:					
Commodities	$ (33,307)	$ (169,710)	$ (15,354)	$ 16,574	$ (201,797)
Interest rate swap	-	172	-	-	172
Total derivative instruments	(33,307)	(169,538)	(15,354)	16,574	(201,625)
Total liabilities	$ (33,307)	$ (169,538)	$ (15,354)	$ 16,574	$ (201,625)

Valuation Methodologies

Securities

Money market funds - Investments with maturities of three months or less when purchased, including certain short-term fixed-income securities, are considered cash equivalents. The fair value of shares in money market funds are priced based on inputs obtained from Bloomberg, a pricing service, whose prices are obtained from direct feeds from exchanges, that are either directly or indirectly observable.

Mutual funds - The fair values of shares in mutual funds are based on inputs that are quoted prices in active markets for identical assets and, therefore, have been categorized in Level 1 in the fair value hierarchy. Equities are priced using active market exchanges.

Corporate stocks - The fair values of shares in preferred and common corporate stocks are based on inputs that are quoted prices in active markets for identical assets and, therefore, have been categorized in Level 1 in the fair value hierarchy. Equities are priced using active market exchanges. Preferred and common corporate stocks are valued based on quoted prices in active markets and are categorized in Level 1. Equity securities held individually are primarily traded on exchanges which contain only actively traded securities due to the volume trading requirements imposed by these exchanges. Common stocks that are valued based on quoted prices from less active markets, such as over the counter stocks, are categorized as Level 2 in the fair value hierarchy.

Commingled funds - Commingled funds are maintained by investment companies and hold certain investments in accordance with a stated set of fund objectives, which are consistent with SRP's overall investment strategy. For equity and fixed-income commingled funds, the fund administrator values the fund using the NAV per fund share, derived from the quoted prices in active markets of the underlying securities. Where adjustments to the NAV are required with respect to interests in funds subject to restrictions on redemption (such as lock-up periods or withdrawal limitations) and/or observable activity for the fund investment is limited, investments are classified within level 2 or 3 of the valuation hierarchy. If the ability to redeem the investment is unknown or the investment cannot be redeemed in the near term at NAV, the fair value measurement of the investment will be categorized as a Level 3 in the valuation hierarchy.

Collateral pool investments - These commingled funds are maintained and invested by the administrator of SRP's securities' lending program. The pools are primarily invested in short-term fixed income securities, but may also be invested in assets with maturities that match the duration of the loan of the related securities. These commingled funds are valued daily by the administrator and the underlying fixed income securities are priced using a primary price source that is identified based on asset type, class or issue for each security. SRP has obtained an understanding of how these prices are derived, including the nature and observability of the inputs used in deriving such prices. The fair values of fixed income securities are based on evaluated prices that reflect observable market information. However, these funds are categorized as level 3 because the value that SRP would be able to exit at is not the unit value derived from the underlying prices.

Corporate bonds - For fixed income securities, multiple prices and price types are obtained from pricing vendors whenever possible, which enables cross-provider validations in addition to checks for unusual daily movements. A primary price source is identified based on asset type, class or issue for each security. SRP has obtained an understanding of how these prices are derived, including the nature and observability of the inputs used in deriving such prices. Additionally, SRP selectively corroborates the fair values of securities by comparison to other market-based price sources. The fair values of fixed income securities are based on evaluated prices that reflect observable market information, such as actual trade information of similar securities, adjusted for observable differences and are categorized as Level 2.

Real Estate - Real estate commingled funds are funds with a direct investment in a pool of real estate properties. These funds are valued by investment managers on a periodic basis using pricing models that use independent appraisals from sources with professional qualifications. Since these valuation inputs are not highly observable, real estate investments have been categorized as Level 3 investments.

Derivative Instruments

The fair value of gas swaps and power swaps that are priced based on inputs using quoted prices of similar exchange traded items have been categorized in Level 1 in the fair value hierarchy. These include gas swaps traded on the New York Mercantile Exchange (NYMEX) and power swaps traded on the Intercontinental Exchange.

The fair value of gas swaps, power swaps, gas options, power options and power deals that are priced based on inputs obtained through pricing agencies and developed pricing models, using similar observable items in active and inactive markets, are classified as Level 2 in the valuation hierarchy.

The fair value of derivatives assets and liabilities which are valued using pricing models with significant unobservable market data traded in less active or underdeveloped markets are classified as Level 3 in the valuation hierarchy. Level 3 items include gas swaps, power swaps, gas options, power options and power deals. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability (examples include long-dated or complex derivatives).

All of the assumptions above include adjustments for counterparty credit risk, using credit default swap data, bond yields, when available, or external credit ratings.

Investments Calculated at Net Asset Value

As of April 30, 2010, the fair value measurement of investments calculated at net asset value per share (or its equivalent), as well as the nature and risks of those instruments, are as follows:

	Fair Value *(in thousands)*	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Mutual funds	$ 263,643	None	Daily	N/A
Commingled funds:				
Fixed income funds	123,369	None	Daily	N/A
International equity funds	103,080	None	Monthly	2 days
Domestic long-short equity fund of funds	4,118	None	Annual	100 days

Mutual Funds – These are funds invested in either equity or fixed income securities. They are actively managed funds that seek to outperform their respective benchmarks. The equity funds may invest in large and/or small capitalization stocks and/or growth or value styles, as dictated by their prospectuses. The fixed income funds will invest in a broad array of securities including treasuries, agencies, corporate debt, mortgage-backed securities, and some non-U.S. debt.

International Equity Commingled Fund – The fund is an actively managed fund that invests in primarily non-U.S. securities. The funds may invest in small and/or large capitalization stocks, as well as developing country securities. The fund seeks to outperform their respective benchmarks.

Fixed Income Commingled Fund – The fund is an actively managed fund of funds that primarily invests in managers that invest in domestic and some non-U.S. equities. As a long-short fund, the fund's goal is to neutralize market risk by balancing between managers that buy (go long) securities and managers who sell (go short) securities. The fund seeks to outperform a broad equity index over long periods, with less risk.

Domestic Long-Short Equity Fund of Funds – The fund is an actively managed fund of funds that primarily invests in managers that invest in domestic and some non-U.S. equities. As a long-short fund, the fund's goal is to neutralize market risk by balancing between managers that buy (go long) securities and managers who sell (go short) securities. The fund seeks to outperform a broad equity index over long periods, with less risk.

Collateral and Margin Deposits

Margin and collateral deposits include cash deposited with counterparties and brokers as credit support under energy contracts. The amount of margin and collateral deposits generally varies based on changes in the fair value of the positions. The District presents a portion of its margin and cash collateral deposits net with its derivative position on the accompanying Combined Balance Sheets. Amounts recognized as margin and collateral provided to others are included in derivative assets in the accompanying Combined Balance Sheets and totaled $9.8 million at April 30, 2010.

Changes in Level 3 Fair Value Measurements

The table below includes the reconciliation of changes to the balance sheet amounts for the years ended April 30 (in thousands) for financial instruments classified within Level 3 of the valuation hierarchy; this determination is based upon unobservable inputs to the overall fair value measurement:

	2010	2009
Beginning balance at May 1	$ 295,542	$ 424,257
Transfers into Level 3	-	-
Transfers out of Level 3*	(218,818)	(6,585)
Net realized and unrealized gain/(loss) included in earnings	35,240	(65,471)
Net realized and unrealized gain/(loss) recorded as regulatory assets	19,307	(17,713)
Net purchases and settlements	15,159	(38,946)
Balance at April 30	$ 146,430	$ 295,542
For instruments held at April 30:		
Net unrealized gain/(loss) included in earnings	$ 10,576	$ (2,993)
Net unrealized gain/(loss) recorded in regulatory assets	$ 4,055	$ (12,843)

* In fiscal year 2010, SRP transferred $226.4 million of certain assets valued at NAV from Level 3 to Level 2 as allowed by authoritative guidance (ASU No. 2009-12).

U.S GAAP requires disclosure of the estimated fair value of certain financial instruments and the methods and significant assumptions used to estimate their fair values. Many but not all of the financial instruments are recorded at fair value on the accompanying Combined Balance Sheets. Financial instruments held by SRP are discussed below.

Financial Instruments for Which Fair Value Approximates Carrying Value - Certain financial instruments that are not carried at fair value on the accompanying Combined Balance Sheets are carried at amounts that approximate fair value due to their short-term nature and generally negligible credit risk. The instruments include receivables, accounts payable, customers' deposits, other current liabilities and commercial paper.

Financial Instruments for Which Fair Value Does Not Approximate Carrying Value - The District presents long-term debt at carrying value on the accompanying Combined Balance Sheets. The collective fair

value of the District's revenue bonds and the Desert Basin Lease-Purchase Agreement, including the current portion, was estimated by using pricing scales from independent sources. The carrying amount of commercial paper approximates fair value because of its short term maturity and pricing validated confirmed through independent sources. As of April 30, 2010 and 2009, the carrying amounts, including accrued interest, were $4.1 billion and $3.9 billion, respectively, and the estimated fair values were $4.4 billion and $4.1 billion, respectively. (See Note (7) LONG-TERM DEBT for further discussion of these items.)

(6) ACCUMULATED NET REVENUES AND OTHER COMPREHENSIVE INCOME:

The following table summarizes accumulated net revenues and other comprehensive income (in thousands):

	Accumulated Net Revenues	Other Comprehensive Income (Loss)	Accumulated Net Revenues and Other Comprehensive Income
Balance, April 30, 2008	$ 3,827,219	$ 11,616	$ 3,838,835
Cumulative effect of change in accounting principle – fair value option	11,616	(11,616)	-
Balance, May 1, 2008, adjusted	3,838,835	-	3,838,835
Net Revenues (Expenses)	(247,022)	-	(247,022)
Balance, April 30, 2009	$ 3,591,813	$ -	$ 3,591,813
Net Revenues (Expenses)	370,975	-	370,975
Balance, April 30, 2010	$ 3,962,788	$ -	$ 3,962,788

(7) LONG-TERM DEBT:

Long-term debt consists of the following at April 30 (in thousands):

	Interest Rate	2010	2009
Revenue bonds			
1993 Series A (matured 1/1/2010)	5.75%	$ -	$ 4,000
1993 Series C (mature 1/1/2011)	5.05%	15,800	58,845
1997 Series A (mature 2011 – 2020)	5.00 – 5.125%	38,990	43,990
2001 Series A (mature 1/1/2011)	5.00%	11,420	54,080
2002 Series A (mature 2011 – 2031)	4.25 – 5.25%	431,110	432,560
2002 Series B (mature 2016 – 2032)	4.00 – 5.00%	570,000	570,000
2002 Series C (mature 2011 – 2015)	5.00%	184,635	202,385
2004 Series A (mature 2011 – 2024)	4.00 – 5.00%	114,410	116,360
2005 Series A (mature 2027 – 2035)	4.75 – 5.00%	327,090	327,090
2006 Series A (mature 2033 – 2037)	5.00%	296,000	296,000
2008 Series A (mature 2016 – 2038)	5.00%	816,650	816,650
2009 Series A (mature 2011 – 2039)	2.75 – 5.00%	744,180	744,180
2009 Series B (mature 2013 – 2020)	3.00 – 4.50%	296,375	-
Total revenue bonds		3,846,660	3,666,140
Unamortized bond (discount) premium		86,656	65,749
Total revenue bonds outstanding		3,933,316	3,731,889
Finance lease	3.125 – 5.25%	215,795	232,585
Commercial paper		50,000	-
Total long-term debt		4,199,111	3,964,474
Unamortized interest rate swap		-	(172)
Less: Current portion of long-term		(147,180)	(132,645)
Total long-term debt, net of current		$ 4,051,931	$ 3,831,657

The annual maturities of long-term debt (excluding unamortized bond discount/premium) as of April 30, 2010, due in fiscal years ending April 30, are as follows (in thousands):

	Revenue Bonds	Finance Lease
2011	$ 127,230	$ 19,950
2012	122,180	17,455
2013	120,955	22,995
2014	113,740	17,500
2015	115,210	27,715
Thereafter	3,247,345	110,180
Total	$ 3,846,660	$ 215,795

Revenue Bonds

Revenue bonds are secured by a pledge of, and a lien on, the revenues of the electric system, after deducting operating expenses, as defined in the amended and restated bond resolution, effective in January 2003, as amended (Bond Resolution). Under the terms of the Bond Resolution, the District makes debt service deposits to a non-trusteed segregated fund. Included in segregated funds in the accompanying Combined Balance Sheets are $185.5 million and $179.6 million of debt service related

funds as of April 30, 2010 and 2009, respectively. For the years ended April 30, 2010 and 2009, the debt service coverage ratio was 2.48 and 2.33, respectively.

Interest and the amortization of the bond discount, premium and issue expense on the various issues results in an effective rate of 4.90% over the remaining term of the bonds.

In January 2009, the District issued $744.2 million Electric System Revenue Bonds. A portion of the net proceeds was used to retire $100.0 million of Series B Commercial Paper and the balance was used to finance capital improvements to the Electric System pursuant to the District's Capital Improvement Plan.

In October 2009, the District issued $296.4 million Electric System Revenue Bonds. The net proceeds were used to retire a portion of the $275.0 million of Series B Commercial Paper and $50.0 million of Series C Commercial Paper.

The District has authorization to issue additional Electric System Revenue Bonds totaling $1.7 billion principal amount and Electric System Refunding Revenue Bonds totaling $5.9 billion principal amount.

Finance Lease

In December 2003, the District entered into a lease-purchase agreement (Desert Basin Lease-Purchase Agreement) with Desert Basin Independent Trust (DBIT) to finance the acquisition of the Desert Basin Generating Station (Desert Basin) located in central Arizona. In a concurrent transaction, $282.7 million in fixed-rate Certificates of Participation (COPs) were issued pursuant to a Trust Indenture, between Wilmington Trust Company, as trustee, and DBIT, to fund the acquisition of Desert Basin and other electric system assets of the District. Investors in the COPs obtained an interest in the lease payments made by the District to DBIT under the Desert Basin Lease-Purchase Agreement. Due to the nature of the Desert Basin Lease-Purchase Agreement, the District has recorded a lease-finance liability to DBIT with the same terms as the COPs.

(8) COMMERCIAL PAPER AND CREDIT AGREEMENTS

The District is authorized by the Board to issue up to $475.0 million in commercial paper. The District has $50.0 million Series C Commercial Paper outstanding at April 30, 2010. The District retired $275.0 million of Series B and $50.0 million of Series C Commercial Paper during fiscal year 2010 and $100.0 million of its Series B Commercial Paper during fiscal year 2009. At April 30, 2010, the Series C issue had an average weighted interest rate to the District of 0.31%. The commercial paper matures not more than 270 days from the date of issuance and is an unsecured obligation of the District.

At April 30, 2009, the District had a $475.0 million revolving line-of-credit agreement supporting the $375.0 million of outstanding commercial paper. The District classified commercial paper in current liabilities in the accompanying Combined Balance Sheets at April 30, 2009, due to the December 7, 2009, pending expiration of the revolving line of credit agreement. In September 2009, the District replaced the $475.0 million revolving credit agreement with a three-year $50 million revolving credit agreement expiring September 16, 2012. The District has reclassified the commercial paper program as long-term debt in the accompanying Combined Balances Sheets at April 30, 2010.

The $50 million revolving credit agreement contains various conditions precedent to borrowings that include, but are not limited to, compliance with the covenants set forth in the agreement, the continued accuracy of representations and warranties, no existence of default and maintenance of certain

investment grade ratings on the District's revenue bonds. The agreement has various covenants, with which management believes the District was in compliance at April 30, 2010. The District has never borrowed under the agreement and management does not expect to do so in the future. Alternative sources of funds to support the commercial paper program include existing funds on hand or the issuance of alternative debt, such as revenue bonds.

(9) EMPLOYEE BENEFIT PLANS AND INCENTIVE PROGRAMS:

Defined Benefit Pension Plan and Other Postretirement Benefits

SRP's Employees' Retirement Plan (the Plan) covers substantially all employees. The Plan is funded entirely from SRP contributions and the income earned on invested Plan assets. The District made a contribution of $144.0 million in fiscal year 2010 and $50.0 million in fiscal year 2009.

SRP provides a non-contributory defined benefit medical plan for retired employees and their eligible dependents (contributory for employees hired January 1, 2000 or later) and a non-contributory defined benefit life insurance plan for retired employees. Employees are eligible for coverage if they retire at age 65 or older with at least five years of vested service under the Plan (ten years for those hired January 1, 2000 or later), or any time after attainment of age 55 with a minimum of ten years of vested service under the Plan (20 years for those hired January 1, 2000 or later). The funding policy is discretionary and is based on actuarial determinations.

FASB authoritative guidance requires employers to recognize the overfunded or underfunded positions of defined benefit pension and other postretirement plans in their balance sheets. Any actuarial gains and losses, prior service costs and transition assets or obligations must be recorded on the balance sheet with an offset to accumulated other comprehensive income until the amounts are amortized as a component of net periodic benefit costs.

The Board has authorized the District to collect future amounts associated with the pension and other postretirement plan liabilities as part of the pricing process. The District established a regulatory asset for the portion of the total amounts otherwise chargeable to accumulated other comprehensive income that are expected to be recovered through prices in future periods. The changes in actuarial gains and losses, prior service costs and transition assets or obligations pertaining to the regulatory asset are recognized as an adjustment to the regulatory asset or liability accounts as these amounts are recognized as components of net periodic pension costs each year. The District's estimated amortization amounts for fiscal year 2010 are $3.1 million for transition obligation, $3.1 million for prior service cost and $7.9 million for net actuarial loss.

Effective April 30, 2009, authoritative guidance required SRP to measure plan assets and benefit obligations at fiscal year end. SRP previously performed this measurement at January 31 of each year. In accordance with this standard, SRP eliminated the use of the three-month lag. As a result of implementing the measurement date provisions, and as authorized by the Board, the District recorded $16.9 million into the pension and post-retirement regulatory asset on the accompanying Combined Balance Sheets for the additional three months of pension and other postretirement benefits cost at April 30, 2009. The provisions of the guidance did not permit retrospective application.

The following tables outline changes in benefit obligations, plan assets, the funded status of the plans and amounts included in the accompanying combined financial statements (in thousands):

	Pension Benefits		Postretirement Benefits	
	2010	2009	2010	2009
Change in benefit obligation				
Benefit obligation at beginning of year	$ 1,157,672	$ 1,166,141	$ 450,279	$ 533,342
Service cost	32,129	42,171	8,597	12,244
Interest cost	79,254	88,832	30,859	35,305
Actuarial gain (Loss)	145,809	(84,012)	39,801	(113,228)
Benefits paid	(49,258)	(55,460)	(16,158)	(17,384)
Benefit obligation at end of year	$ 1,365,606	$ 1,157,672	$ 513,378	$ 450,279
Change in plan assets				
Fair value of plan assets at beginning of year	$ 796,741	$ 1,082,180	$ -	$ -
Actual return on plan assets	213,969	(279,979)	-	-
Employer contributions	144,000	50,000	16,158	21,539
Benefits paid	(49,258)	(55,460)	(16,158)	(21,539)
Fair value of plan assets at end of year	$ 1,105,452	796,741	-	-
Funded status at end of year	$ (260,154)	$ (360,931)	$ (513,378)	$ (450,279)
Amounts recognized in Combined Balance Sheets:				
Other current liabilities	$ -	$ -	$ (18,882)	$ (18,882)
Accrued post-retirement liability	(260,154)	(360,931)	(494,496)	(431,397)
Net asset (liability) recognized	$ (260,154)	$ (360,931)	$ (513,378)	$ (450,279)
Amounts recognized as a regulatory asset:				
Transition obligation (asset)	$ -	$ -	$ (4)	$ 11,698
Prior service cost (credit)	8,739	11,055	(7,193)	5,064
Net actuarial loss	533,863	510,984	123,490	53,722
Measurement date transition adjustment	-	5,417	-	11,450
Net regulatory asset	$ 542,602	$ 527,456	$ 116,293	$ 81,934

The following table represents the amortization amounts expected to be recognized or paid during the fiscal year ending April 30, 2011 (in thousands):

	Pension Benefits	Postretirement Benefits
Net transition obligation/(asset)	$ -	$ (1)
Prior service cost/(credit)	$ 2,315	$ (203)
Net actuarial	$ 20,597	$ 5,576

The following table outlines the projected benefit obligation and accumulated benefit obligation in excess of Plan assets (in thousands):

	2010	2009
Projected benefit obligation	$ 1,365,606	$ 1,157,672
Accumulated benefit obligation	$ 1,201,915	$ 1,009,364
Fair value of Plan assets	$ 1,105,452	$ 796,741

SRP internally funds its other postretirement benefits obligation. At April 30, 2010 and 2009, $466.8 million and $352.9 million of segregated funds, respectively, were designated for this purpose.

The weighted average assumptions used to calculate actuarial present values of benefit obligations at April 30 were as follows:

	Pension Benefits		Postretirement Benefits	
	2010	2009	2010	2009
Discount rate	6.00%	7.00%	6.00%	7.00%
Rate of compensation increase	4.00%	4.00%	N/A	N/A

Weighted average assumptions used to calculate net periodic benefit costs were as follows:

	Pension Benefits		Postretirement Benefits	
	2010	2009	2010	2009
Discount rate	7.00%	6.25%	7.00%	6.25%
Expected return on Plan assets	8.25%	8.25%	N/A	N/A
Rate of compensation increase	4.00%	4.00%	N/A	N/A

For employees who retire at age 65 or younger, for measurement purposes, an 8% annual increase before attainment of age 65 and an 8% annual increase on and after attainment of age 65 in per capita costs of health care benefits were assumed during 2010; these rates were assumed to decrease uniformly until equaling 5% in all future years.

The components of net periodic benefit costs for the years ended April 30, are as follows (in thousands):

	Pension Benefits		Postretirement Benefits	
	2010	2009	2010	2009
Service cost	$ 32,129	$ 33,737	$ 8,597	$ 9,796
Interest cost	79,254	71,065	30,859	28,244
Expected return on Plan assets	(91,982)	(91,359)	-	-
Amortization of transition obligation	-	-	3,117	3,117
Amortization of net actuarial loss	6,360	5,909	1,556	3,874
Amortization of prior service cost	2,315	2,315	769	769
Net periodic benefit cost	$ 28,076	$ 21,667	$ 44,898	$ 45,800

Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A one-percentage-point change in the assumed health care cost trend rates would have the following effect (in thousands):

	One Percentage Point Increase	One Percentage Point Decrease
Effect on total service cost and interest cost components	$ 5,600	$ 4,900
Effect on postretirement benefit obligation	$ 66,882	$ 58,595

Plan Assets

The Board has established an investment policy for Plan assets and has delegated oversight of such assets to a compensation committee (the Committee). The investment policy sets forth the objective of

providing for future pension benefits by targeting returns consistent with a stated tolerance of risk. The investment policy is based on analysis of the characteristics of the Plan sponsors, actuarial factors, current Plan condition, liquidity needs, and legal requirements. The primary investment strategies are diversification of assets, stated asset allocation targets and ranges, and external management of Plan assets. The Committee determines the overall target asset allocation ratio for the Plan and defines the target asset allocation ratio deemed most appropriate for the needs of the Plan and the risk tolerance of the District.

The market value of investments (reflecting returns, contributions, and benefit payments) within the plan trust appreciated 26.6% during fiscal year 2010, compared to a decline of 25.7% during fiscal year 2009. Changes in the plan's funded status affect the assets and liabilities recorded on the balance sheet in accordance with FASB authoritative guidance. Due to the District's regulatory treatment, the recognition of funded status is offset by regulatory assets or liabilities and is recovered through prices. The Pension Protection Act of 2006 establishes new minimum funding standards and restricts plans underfunded by more than 20% from adopting amendments that increase plan liabilities unless they are funded immediately. In December 2008, the Worker, Retiree, and Employer Recovery Act (WRERA) was enacted. Among other provisions, the WRERA provides temporary funding relief to defined benefit plans during the current economic down-turn. WRERA will favorably impact the level of minimum required contributions for years after 2009.

The Plan's weighted-average asset allocations are as follows:

	Target Allocations	**2010**	**2009**
Equity securities	65.0%	64.7%	53.6%
Debt securities	25.0%	28.3%	34.4%
Real estate	10.0%	7.0%	12.0%
Total	100.0%	100.0%	100.0%

The investment policy, as authorized by the Board, allows management to reallocate Plan assets at any time within a tolerance range up to plus or minus 5% from the target asset allocation which allows for flexibility in managing the assets based on prevailing market conditions and does not require automatic rebalancing if the actual allocation strays from the target allocation.

Given the dislocations in the markets, the Plan's weighted-average asset allocations had deviated from the target allocations in fiscal year 2009. In fiscal year 2010, the actual allocation of the Plan is closer to its normalized state, driven by a combination of asset growth, rebalancing, and contributions. Management continues to monitor the allocations on a recurring basis.

Fair Value of Plan Assets

The following table sets forth the fair value of SRP's Plan assets, by asset category, at April 30, 2010 (dollars in thousands):

	Level 1	Level 2	Level 3	Total
Money market funds	$ -	$ 42,370	$ -	$ 42,370
U.S. government securities	-	31,703	-	31,703
Corporate bonds	-	215,033	-	215,033
Corporate stocks	535,429	-	-	535,429
Commingled funds	-	147,710	56,416	204,126
Real Estate	-	-	76,791	76,791
Total Assets	$ 535,429	$ 436,816	$ 133,207	$ 1,105,452

The fair value of the Plan assets, excludes $337.6 million payable for collateral on loaned securities in connection with the participation of the Plan in securities lending programs.

For a description of the fair value hierarchy and for an explanation of the valuation methodologies used to determine fair value of the assets of the Plan, refer to Note (5) FAIR VALUE MEASUREMENTS.

Changes in Level 3 Fair Value Measurements

The table below includes the reconciliation of changes to the balance sheet amounts for the year ended April 30, 2010, (in thousands) for financial instruments classified within Level 3 of the valuation hierarchy; this determination is based upon unobservable inputs to the overall fair value measurement:

	Plan Assets
Beginning balance at May 1, 2009	$ 95,965
Actual return on plan assets relating to assets still held at end of period	(14,775)
Net purchases, sales and settlements	54,000
Net transfers in/out of Level 3	(1,983)
Balance at April 30, 2010	$ 133,207

Long-Term Rate of Return

The expected return on Plan assets is based on a review of the Plan asset allocations and consultations with a third-party investment consultant and the Plan actuary, considering market and economic indicators, historical market returns, correlations and volatility, and recent professional or academic research.

Employer Contributions

The District expects to contribute $132.0 million to the Plan over the next valuation period.

Benefits Payments

SRP expects to pay benefits in the amounts as follows (in thousands):

	Pension Benefits	Postretirement Benefits	
		Before Subsidy*	Net
2011	$ 56,463	$ 18,883	$ 18,308
2012	60,542	20,939	20,284
2013	65,670	22,930	22,172
2014	71,385	25,078	24,221
2015	77,049	27,132	26,194
2016 through 2020	$ 480,554	$ 161,642	$ 155,563

*Estimated future benefit payments, including prescription drug benefits, prior to federal drug subsidy receipts expected as a result of the Medicare Prescription Drug, Improvement and Modernization Act of 2003.

Defined Contribution Plan

SRP's Employees' 401(k) Plan (the 401(k) Plan) covers substantially all employees. The 401(k) Plan receives employee pre-tax and post-tax contributions and partial employer matching contributions. Employees who have one year of service in which they have worked at least 1,000 hours and who are also contributing to the 401(k) Plan are eligible to receive partial employer matching contributions of $0.85 on every dollar contributed up to the first six-percent of their base pay that they contribute to the 401(k) Plan. Employer matching contributions to the 401(k) Plan were $14.0 million and $13.8 million during fiscal years 2010 and 2009, respectively.

Employee Incentive Compensation Program

For fiscal year 2009, SRP had an incentive compensation program covering substantially all regular employees. The incentive compensation was based on achievement of pre-established targets that were not met in fiscal year 2009. The Board did not approve an incentive compensation program for fiscal year 2010.

(10) INTERESTS IN JOINTLY-OWNED ELECTRIC UTILITY PLANTS:

The District has entered into various agreements with other electric utilities for the joint ownership of electric generating and transmission facilities. Each participating owner in these facilities must provide for the cost of its ownership share. The District's share of expenses of the jointly-owned plants is included in operating expenses in the accompanying Combined Statements of Net Revenues.

The following table reflects the District's ownership interest in jointly-owned electric utility plants as of April 30, 2010 (in thousands):

Generating Station	Ownership Share	Plant in Service	Accumulated Depreciation	Construction Work In Progress
Four Corners (NM) (Units 4 & 5)	10.00%	$ 113,594	$ (98,688)	$ 7,649
Mohave (NV) (Units 1 & 2)	20.00%	133,498	(129,760)	-
Navajo (AZ) (Units 1, 2 & 3)	21.70%	384,749	(333,344)	21,395
Hayden (CO) (Unit 2)	50.00%	119,297	(109,485)	5,021
Craig (CO) (Units 1 & 2)	29.00%	273,199	(210,123)	5,910
PVNGS (AZ) (Units 1, 2 & 3)	17.49%	1,284,975	(1,006,713)	53,898
		$ 2,309,312	$ (1,888,113)	$ 93,873

The Mohave Generating Station (Mohave), in which the District owns 20%, ceased operations on December 31, 2005. Efforts to reopen or sell the plant as a coal-fired generation source were unsuccessful and the Participants are decommissioning the plant. There remains approximately $3.7 million in net plant value at Mohave for the switchyard and transmission line still used to route power to other inter-tied systems.

(11) VARIABLE INTEREST ENTITIES:

The FASB authoritative guidance defines a variable interest entity (VIE) as a legal entity whose equity owners do not have sufficient equity at risk or a controlling financial interest in the entity. This guidance identifies the primary beneficiary as the variable interest holder that absorbs the majority of the expected losses; if no variable interest holder meets this criterion, then it is the variable interest holder that receives the majority of the expected residual returns. The primary beneficiary is required to consolidate the VIE unless specific exceptions or exclusions are met. The District considers both qualitative and quantitative factors to form a conclusion whether it, or another interest holder, absorbs a majority of the risk of expected losses, receives a majority of the potential expected residual returns, or both. Beginning on May 1, 2010, new accounting guidance will change the approach for the determination of the primary beneficiary and will require the District to perform ongoing reassessment of its VIEs to determine the primary beneficiary. This change may result in future consolidation or deconsolidation of VIEs.

Unconsolidated VIE

While the District is not required to consolidate any VIE as of April 30, 2010, it held a significant variable interest in certain VIEs as described below:

In May 2008, the District entered into a 20-year purchase power agreement to purchase energy from a 575 MW simple cycle natural gas peaking facility. Commercial operation is expected to begin in fiscal year 2012. Under the agreement, the District will pay a capacity charge, operation and maintenance costs and property taxes. The District is also obligated to provide the natural gas needed to operate the facility. The District has no obligation if the facility does not commence commercial operation unless certain termination clauses are invoked, by the District, in which case the District could be required to reimburse certain construction costs.

The District has entered into various long-term purchase power agreements with developing renewable energy generation facilities that extend for periods of 20 to 30 years. One of the facilities, with a capacity of approximately 63 MW, began commercial operation in fiscal year 2010 and SRP is receiving the power and renewable energy credits from the facility. The remaining facilities are expected to begin commercial operation between fiscal year 2011 and fiscal year 2012. The expected capacity of all the facilities combined, once in operation, is approximately 190 MW. The District is only obligated to pay for actual

energy delivered and has no obligation if the facilities do not start commercial operations. There are no minimum payment obligations under these agreements.

SRP formed a partnership during fiscal year 2010 to market long-term water storage credits. SRP made capital contributions to the partnership in fiscal year 2010 totaling $448,000 and has a future maximum exposure of $25 million. SRP accounts for the partnership under the equity method of accounting.

(12) REGULATORY MATTERS:

The Electric Utility Industry

The District historically operated in a highly regulated environment in which it had an obligation to deliver electric service to customers within its service area. In 1998, the Arizona Electric Power Competition Act (the Act) authorized competition in the retail sales of electric generation, recovery of stranded costs, and competition in billing, metering and meter reading.

While retail competition was available to all customers by 2001, there were only a few customers who chose an alternative energy provider. Those customers have since returned to their incumbent utilities. At this time, there is no active retail competition within the District's service territory or, to the knowledge of the District, within the State of Arizona. However, during the past four years, two retail energy service providers, one meter reading service provider, and one meter service provider have applied to the Arizona Corporation Commission for authorization to sell energy in Arizona. In September 2008, the ACC suspended consideration of the one application for which a procedural order had been issued pending completion of public workshops on the policy issues underlying retail competition and receipt of ACC Staff's report and recommendations. The report to the ACC is expected in late summer 2010. The ACC has not yet addressed the other applications.

In 1996, the Federal Energy Regulatory Commission (FERC), which regulates the wholesale electric utility industry under the authority of various statutes, issued Orders 888 and 889 requiring transmitting "public utilities" (as defined in the Federal Power Act), to provide nondiscriminatory transmission services to entities seeking to effect wholesale power transactions, and to grant equal access to information concerning the pricing and availability of transmission services. The District is not a public utility under the Federal Power Act but historically has complied with these requirements voluntarily. The Energy Policy Act of 2005 (Energy Policy Act) expanded FERC jurisdiction by granting FERC discretionary authority to regulate the non-rate terms and conditions, and to a lesser extent, rates, under which unregulated transmitting utilities (including the District) provide wholesale transmission services. The Energy Policy Act explicitly prohibits FERC from requiring unregulated transmitting utilities to take actions that would violate a private activity bond rule.

The Changing Regulatory Environment

The District has fully opened its service area to competition in generation and billing, metering and meter reading. The District's electric distribution area remains regulated by its Board, and the District will not provide distribution services in the distribution areas of other utilities.

The District's price plans have been unbundled since 1999. In May 2002, the District implemented a Fuel & Purchased Power Adjustment Mechanism (FPPAM) to allow for semi-annual rate adjustments to recover increases in actual fuel costs. The District has had several increases in the price of fuel and purchased power since the FPPAM was implemented. In June 2004, the District introduced a Transmission Cost

Adjustment Factor (TCAF) to recover costs the District would incur if the District were required to participate in regional transmission organizations. To date, no costs have been incurred or recovered through the TCAF. In November 2009, the District introduced an Environmental Programs Cost Adjustment Factor (EPCAF) to recover costs incurred by the District to comply with renewable-energy, energy efficiency and climate-change related requirements imposed by mandate. The EPCAF is applied to all retail customer energy sales at a single per-kWh price for all customer classes.

On October 6, 2008, the District Board approved an annualized 5.9% system average increase for the FPPAM to address under-collected fuel and purchased power expenses, effective with the November 2008 billing cycle. To lessen the impact on customer bills, the increase was designed to recover the under-collection over an 18-month period.

On October 1, 2009, the District Board approved a 2.5 percent system average decrease for the FPPAM, effective with the November 2009 billing cycle, to reflect lower anticipated fuel and purchased-power costs for the last six months of fiscal year 2010. The Board also approved a 2.5 percent system average increase for the EPCAF, effective with the November 2009 billing cycle. The decrease to the FPPAM was offset by the increase to the EPCAF, resulting in no additional revenue.

On March 11, 2010, the District Board approved an overall 4.9% system average increase effective with the May 2010 billing cycle. The increase is expected to generate approximately $117.4 million in fiscal year 2011; $244 million of the increase is the result of adjustments to base prices and $26.5 million is related to an adjustment to the EPCAF, both of which are offset in part by a $153 million decrease in the FPPAM.

Through a surcharge to the District's transmission and distribution customers, the District recovers the costs of programs benefiting the general public, such as discounted rates for the elderly or impoverished, and nuclear decommissioning, including the cost of spent fuel storage. This surcharge continues to be separately identified and included in the District's price plans for the regulated portion of its operations.

(13) COMMITMENTS:

Purchased Power and Coal Fuel Supply

The District had various firm non-cancelable purchase commitments at April 30, 2010, which are not recognized in the accompanying Combined Balance Sheets. The following table presents information pertaining to firm purchase commitments with remaining terms greater than one year (in millions):

	Total Payments		Purchase Commitments					
	2010	2009	2011	2012	2013	2014	2015	Thereafter
Purchase power contracts*	$ 220.8	$ 237.5	$ 110.8	$ 107.7	$ 117.3	$ 118.5	$ 119.7	$ 2,287.2
Coal fuel supply contracts	249.3	487.5	264.3	264.8	246.2	193.8	193.8	511.5
Total	$ 470.1	$ 725.0	$ 375.1	$ 372.5	$ 363.5	$ 312.3	$ 313.5	$ 2,798.7

* Included in the purchase commitments are $25.2 million annually through fiscal year 2011 and $10.5 million in fiscal year 2012 that are unconditionally payable regardless of the availability of power.

In conjunction with an impairment analysis performed on generation-related operations, in August 1998, the District recorded provisions of $163.7 million for losses on certain contracts included in the table above. The provisions are being amortized over the life of the contracts, commencing January 1, 1999, and will be fully amortized by May 2011. Amortization of $13.3 million has been reflected as a reduction in purchased

power expense in fiscal years 2010 and 2009. The remaining liability at April 30, 2010 of $13.2 million is included in deferred credits and other non-current liabilities in the accompanying Combined Balance Sheets.

Other Purchase Power Agreements

The District has entered into various long-term purchase power agreements with developing renewable energy generation facilities that extend for periods of 20 to 30 years. Total expected capacity is approximately 190 MW. (For further discussion of these agreements see Note (11) VARIABLE INTEREST ENTITIES.)

Gas Purchase Agreement

In October 2007, the District entered into a 30-year gas purchase agreement with Salt Verde Financial Corporation (SVFC), an Arizona nonprofit corporation formed for the primary purpose of supplying natural gas to the District. Under the agreement, the District is committed to purchase 4,750,000 MMBtus (million of British thermal units) of natural gas in fiscal year 2011, 9,820,000 MMBtus in fiscal year 2012, 10,120,000 MMBtus in fiscal year 2013, 10,425,000 MMBtus in fiscal year 2014, 10,425,000 MMBtus in fiscal year 2015 and 239,510,000 MMBtus over the balance of the term. These purchases are expected to supply approximately 20% of its projected natural gas requirements needed to serve retail customers over the remainder of the 30-year period. The District receives a discount off market prices and is obligated to pay only for gas delivered. Payments to SVFC under the agreement were $10.1 million and $36.4 million in fiscal year 2010 and fiscal year 2009, respectively.

Operating Leases

The District entered into various operating leases to facilitate the operations of Springerville Unit 4. Total payments under the agreements were $8.1 million and $1.6 million in fiscal year 2010 and 2009, respectively. Minimum payments under these agreements are estimated to be $13.0 million in fiscal year 2011, $13.2 million in fiscal year 2012 through fiscal year 2014, $13.0 million in fiscal year 2015 and $241.5 million thereafter.

(14) CONTINGENCIES:

Nuclear Insurance

Under existing law, public liability claims arising from a single nuclear incident are limited to $12.5 billion. PVNGS Participants insure for this potential liability through commercial insurance carriers to the maximum amount available ($300.0 million) with the balance covered by an industry-wide retrospective assessment program as required by the Price-Anderson Act. If losses at any nuclear power plant exceed available commercial insurance, the District could be assessed retrospective premium adjustments. The maximum assessment per reactor per nuclear incident under the retrospective program is $117.5 million including a 5% surcharge; applicable in certain circumstances, but not more than $17.5 million per reactor may be charged in any one year for each incident.

Based on the District's ownership share of PVNGS, the maximum potential assessment would be $61.7 million, including the 5% surcharge, but would be limited to $9.2 million per incident in any one year. PVNGS participants also maintain "all risk" (including nuclear hazards) insurance for property damage to, and decontamination of, property at PVNGS in the aggregate amount of $2.75 billion, a substantial portion of which must first be applied to stabilization and decontamination. The District has also

secured insurance against portions of any increased cost of generation or purchased power and business interruption resulting from a sudden and unforeseen accidental outage of any of the three units. The coverage for property damage, decontamination, and replacement power is provided by Nuclear Electric Insurance Limited (NEIL). The District is subject to retrospective assessments under all NEIL policies if NEIL's losses in any policy year exceed accumulated funds. The maximum amount of retrospective assessments the District could incur under the NEIL policies totals approximately $12.6 million. The insurance coverage discussed in this and the previous paragraph is subject to certain policy conditions and exclusions.

Spent Nuclear Fuel

Under the Nuclear Waste Policy Act of 1982, the District pays $0.001 per kWh on its share of net energy generation at PVNGS to the U.S. Department of Energy (DOE). The DOE was responsible for the selection and development of a repository for permanent storage and disposal of spent nuclear fuel not later than December 31, 1998. However, the DOE delayed submitting an application to construct a permanent repository at Yucca Mountain Nevada until June 2008 and the use of Yucca Mountain as a storage site remains uncertain. Because of the significant delays in the DOE's schedule, it cannot be determined when the DOE will accept waste from PVNGS or from the other owners of spent nuclear fuel. It is unlikely, due to PVNGS' position in DOE's queue for receiving spent fuel, that Arizona Public Service Company (APS), the operating agent of PVNGS, will be able to initiate shipments to DOE during the licensed life of PVNGS. Accordingly, APS has constructed an on-site dry cask storage facility to receive and store PVNGS spent fuel. The facility stored its first cask in March 2003. Seventy-three casks are now stored on site.

The District's share of on-site interim storage at PVNGS is estimated to be $69.1 million for costs to store spent nuclear fuel from inception of the plant through fiscal year-end 2010, and $0.4 million per year going forward. These costs have been included in the District's price plans for transmission and distribution. At April 30, 2010 and 2009, the District's accrued spent fuel storage cost was $25.6 million and $24.5 million, respectively, and included in deferred credits and other non-current liabilities on the accompanying Combined Balance Sheets.

Coal Supply Litigation

Navajo Nation v. Peabody (U.S. District Court, D.C. District – RICO Case) – In 1999, the Navajo Nation filed a lawsuit in the United States District Court in Washington D.C. (the "U.S. District Court") in which the Hopi Tribe later joined as a plaintiff. The lawsuit arises out of negotiations culminating in 1987 with amendments to the coal leases and related agreements. The Navajo Nation and the Hopi Tribe allege that Peabody (the coal supplier for NGS and Mohave), Southern California Edison Company (operating agent for Mohave), the District (operating agent for NGS) and certain individual defendants, in violation of the federal racketeering statutes, had improperly induced the Department of the Interior to not approve the coal royalty rate proposed by the Navajo Nation. They further alleged that the Department of the Interior's failure to approve the rate caused the tribes to negotiate and settle upon a substantially lower royalty rate. The suit alleges $600.0 million in damages. The plaintiffs also seek treble damages against the defendants, measured by amounts awarded under the racketeering statutes. In addition, the plaintiffs claim punitive damages of not less than $1.0 billion. In 2001, the claims of both the Navajo Nation and the Hopi Tribe were dismissed in their entirety with respect to the District.

In 2005, the U.S. District Court stayed the litigation to allow the parties an opportunity to settle. In 2008, the Court lifted the stay and the case was restored to the court's active docket.

On April 12, 2010, the Navajo Nation filed an amended complaint that did not include any RICO claims or claims against the District or any individual defendants. The amended complaint continues to allege $600 million in damages and punitive damages in the amount of $1 billion and seeks to reform the coal leases to provide for a reasonable royalty rate, to dispossess the defendants of all interests in property on the Reservation and to permanently exclude the defendants from the Reservation. While the District is not named as a defendant in the amended complaint, the earlier dismissal of the District could possibly be appealed at the conclusion of the case.

Black Mesa Environmental Impact Statement

In 2008, the Office of Surface Mining (OSM) issued an Environmental Impact Statement (EIS) to allow Peabody to include the Black Mesa Mine (which formerly served Mohave) to the permit for the Kayenta Mine (which serves NGS). Among other things, combining the two permits could eventually give Peabody access to shallower, high quality coal for NGS, which could reduce future costs to the NGS Participants and provide an additional source of coal. Under the administrative appeals process, numerous appeals of the permit decision were filed, and a decision was issued that the process OSM had followed to issue the permit was inadequate. Therefore OSM is redoing the EIS.

The District is unable to predict the likely outcome of the coal supply litigation matters at this time but does not believe that the final resolution of these matters will have material adverse effects on its operations or financial condition.

Navajo Mine Permit

The Diné Citizens Against Ruining Our Environment (Diné CARE) and the San Juan Citizens Alliance filed a lawsuit against the OSM in July 2007. The lawsuit alleges that the OSM erroneously renewed the permit of BHP for the Navajo Mine, which serves Four Corners, and in which the District owns 10% of Units 4 and 5. Specifically, the lawsuit alleges that the OSM wrongly excluded review of the permit under the National Environmental Policy Act (NEPA) and that the U.S. Environmental Protection Agency (EPA) insufficiently considered the impacts on tribal members and on the environment of the continued and expanded mining operations and the use of fly ash as mine fill. Although the plaintiffs do not seek or request injunctive relief to halt the mining operations, they do ask the court to stop any relocation of tribal members as a result of mine expansion, any disposal of fly ash in the mine, and any blasting operations near the homes of tribal members. In a subsequent amended complaint, the plaintiffs added an allegation that BHP conducted an ethnographic survey that should have been, but was not, considered in the OSM's NEPA analysis for the mine renewal and expansion permits. The potential implications of these allegations for Four Corners are significant. BHP passes environmental compliance costs through to the plant. If a court found that fly ash disposal indeed harms human health or the environment, BHP would look to Four Corners for funding any required investigation and remediation, and for any toxic tort claims. Furthermore, Four Corners operates its own fly ash disposal facilities, and any finding that fly ash disposal at the mine harms human health and the environment could be extended to the plant's disposal facilities as well. In addition, mine expansion is necessary to assure a continuing coal supply to the plant. Accordingly, APS, as operating agent, intervened on behalf of all the Four Corners Participants. This matter has been fully briefed and oral argument is scheduled for late July 2010. The District cannot predict an outcome at this time.

Environmental

SRP is subject to numerous legislative, administrative and regulatory requirements relative to air quality, water quality, hazardous waste disposal and other environmental matters. SRP conducts ongoing environmental reviews of its properties for compliance and to identify those properties it believes may require remediation. Such requirements have resulted, and will continue to result, in increased costs associated with the operation of existing properties. At April 30, 2010, and 2009, the District accrued $53.3 million and $89.1 million, respectively, for environmental issues, on a non-discounted basis, and is included in deferred credits and other non-current liabilities on the accompanying Combined Balance Sheets.

In September 2003, the EPA notified the District that it might be liable under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) as an owner and operator of a facility within the Motorola 52nd Street Superfund Site Operable Unit 3. The District investigated and found minimal contamination on the site. The District removed the contamination and the EPA has informed the District that no further work will be required at the facility. However, the District may be liable for past costs incurred and for future work to be conducted within the Superfund Site.

The Roosevelt Irrigation District (RID) filed a lawsuit in the District Court of Arizona against the District and approximately 100 other defendants, asserting a claim for damages under CERCLA for costs associated with the remediation of groundwater and damage to RID's irrigation wells located within the West Van Buren Superfund Site, which is immediately to the west of the Motorola 52nd Street Superfund Site. The District has been identified as a potentially responsible party for the West Van Buren Site because of its involvement in the Motorola 52nd Street Superfund Site. RID has alleged that the costs associated with the remediation could exceed $125 million. The District is unable at this time to predict the outcome of this matter but does not believe that the final resolution will have a material adverse effect on its operations or financial condition.

Air Quality

Electric utilities are subject to federal, state and local environmental regulations which continually change due to legislative, regulatory and judicial actions. Consequently, there is no assurance that facilities owned by the District will remain subject to the regulations currently in effect, will always be in compliance with future regulations, or will always be able to obtain all required operating permits. The need to comply with environmental regulations could result in additional capital expenditures to comply, reduced operating levels, or the complete shutdown of individual electric generating units not in compliance. In particular, the full significance to the District of air quality standards and emission reduction initiatives in terms of cost and operational problems is difficult to predict, but costly equipment may have to be added to units now in operation and that permit fees may increase significantly resulting in potentially material costs to the District.

As a result of legislative and regulatory initiatives, the District is planning reductions in emissions of mercury and other hazardous air pollutants at its coal-fired power plants including plants located on the Navajo Reservation. The EPA issued regulations for the control of mercury emissions from coal-fired generating stations in 2005. Arizona subsequently imposed additional mercury emissions limitations which would require the District to install additional controls at CGS and Springerville Unit 4 to achieve 90% mercury removal. In addition, the District has been participating with the EPA in the development of a rule to regulate mercury emissions on the Navajo Reservation, where the District owns an interest in two generating stations, NGS and Four Corners. In 2008, the U.S. Court of Appeals, D.C. Circuit,

vacated the EPA's 2005 rules, finding that the EPA had not followed proper procedures to develop the rules. As a result, the EPA will issue new rules. In the interim, the District and other utilities negotiated Consent Orders with the Arizona Department of Environmental Quality (ADEQ), pursuant to which the District will implement a control strategy designed to achieve a 70 percent reduction of mercury emissions at CGS on a facility-wide annual average basis by January 1, 2012. It is likely that additional controls will be required at all coal-fired plants in which the District has an interest when new EPA rules are issued in 2011. The District is evaluating compliance options and cannot yet estimate the associated costs.

In June 2005, the EPA also issued final amendments to its July 1999 Regional Haze Rule. These amendments apply to the provisions of the regional haze rule that require emissions controls known as Best Available Retrofit Technology (BART) for coal-fired power plants and other industrial facilities that emit air pollutants that reduce visibility. The amendments include final guidelines for states and tribes to use in determining which facilities must install controls and the types of controls that facilities must use. States and tribes were required to complete BART determinations for eligible facilities by the end of 2007. Most states, including Arizona, did not meet that deadline, but Arizona is expected to complete its BART determination in 2010. BART controls must be installed five years after the EPA has approved a state's BART determination. The District has financial interests in several coal-fired power plants that are subject to the BART requirements.

In August 2009, the EPA issued an Advanced Notice of Proposed Rulemaking seeking public comments on what constitutes BART for both NGS and Four Corners. Comments were due in March 2010 and the EPA is expected to issue proposed BART determinations sometime in late 2010 and final determinations in 2011. The District believes that BART for NGS requires the installation on all three units of low-NOx burners and separated over-fired air (LNB/SOFA). The LNB/SOFA equipment has been installed on two units and the third unit will be completed in early 2011. The total cost for this project is $45 million, of which the District's share will be $9.8 million. The EPA may also require the installation of selective catalytic reduction (SCR) as well as controls for sulfuric acid mist emissions and fine particulate matter, which would cost about $1.2 billion, of which the District's share would be approximately $260 million.

APS believes that BART for Four Corners may require the installation of LNB/SOFA for Units 4 and 5 (in which the District owns a ten percent interest) at a total cost of $52 million, of which the District's share would be $5.2 million. Similar to NGS, the EPA may also require the installation of SCR, which could cost an additional $478 million, of which the District's share would be $48 million.

The EPA recently disapproved the Colorado BART determinations, including determinations made for the Craig and Hayden Generating Stations. The EPA rejected the Colorado BART determination because it did not conform to the 2005 BART Guidelines. Colorado has until January 2011 to submit a revised plan to the EPA or the EPA will issue its own BART determination. The District believes that the revised BART will include a recommendation for SCRs on Craig and Hayden.

On May 5, 2009, the National Parks Conservation Association (NPCA), Sierra Club, Grand Canyon Trust, San Juan Citizens Alliance (SJCA), To Nozhoni Ani, and Diné CARE petitioned the U.S. Department of Interior - National Park Service (DOI) to certify to the EPA that visibility impairment in Grand Canyon National Park is "reasonably attributable" to oxides of nitrogen and particulate matter emissions from NGS (the NGS Petition). The NGS Petition asks the DOI to supplement a similar certification it made in 1986 that ultimately led to the installation of sulfur dioxide scrubbers at NGS. The petitioners allege that although the installation of the scrubbers improved visibility at the Grand Canyon, it did not adequately reduce NGS's impact on such visibility. In July 2009, the DOI responded to the NGS Petition,

stating that it had been collaborating with the EPA regarding the BART determination for NGS, and that the agency would make a decision on the petition after the BART determination had been completed.

On February 16, 2010, the NPCA, Earthjustice, Sierra Club, SJCA, Grand Canyon Trust, Center for Biological Diversity, Diné CARE, Dooda Desert Rock and Wild Earth Guardians filed a petition similar to the NGS Petition with both the DOI and the U.S. Department of Agriculture – U.S. Forest Service (DOA) with respect to Four Corners (the Four Corners Petition). The petitioners asked that the DOI and the DOA certify to the EPA that impairment of visibility in sixteen areas within 300 kilometers of Four Corners including the Grand Canyon National Park, among others, was reasonably attributable to pollutant emissions from Four Corners. APS, as the operating agent for Four Corners, has asked the DOI and the DOA to defer action on the Four Corners Petition until the ongoing BART determination process for Four Corners has been completed.

The EPA is continuing its national enforcement initiative under the new source review provisions of the Clean Air Act (CAA). This initiative is focused on determining whether companies had failed to disclose major repairs or alterations to facilities that, in the opinion of the EPA, would have required the installation of new pollution control equipment under the CAA. The EPA's pursuit of the initiative has resulted in the installation of expensive pollution control equipment at various facilities. As part of this initiative, the EPA contacted APS on April 6, 2009, seeking detailed information regarding projects at and operations of Four Corners. APS has provided initial responses to this request and is unable to predict the timing or content of the EPA's response or any resulting actions.

On May 5, 2010, Earthjustice wrote to the EPA and the owners of Four Corners Units 4 and 5, in which the District owns a ten percent interest, providing notice of intent to sue the participants (the Notice) for violations of the CAA. Earthjustice sent the Notice on behalf of Diné CARE, To Nizhoni Ani, National Parks Conservation Association, and the Sierra Club. The Notice alleges two types of CAA violations: (1) Prevention of Significant Deterioration (PSD) (these have to do with New Source Review (NSR); PSD and NSR are essentially interchangeable); and (2) New Source Performance Standards. The EPA had 60 days to determine whether to file its own action against the plant, but failed to do so. Thus, Earthjustice could file suit at any time.

The District is unable to predict the likely outcomes of these matters at this time.

The District recognizes the growing importance of the issues concerning climate change (global warming) and the implications they could have on its operations, so it is closely monitoring climate change and other legislative and regulatory developments at the federal, state and regional levels. Congress is considering bills containing several significant provisions which would: (1) require utilities to meet a portion of their electricity demand through renewable energy sources and energy efficiency by the 2015 to 2020 timeframe; (2) establish a new cap-and trade program to reduce carbon emissions from major sources by over 80% by 2050; (3) mandate new energy efficiency codes for buildings and appliances; and (4) make investments in new energy technologies, resources and energy efficiency. It is unknown when Congress will complete its consideration of the climate change and energy issues or what the final provisions of any bill that is enacted into law will be.

While congressional action remains in flux, the EPA has moved forward with its efforts to regulate emissions of greenhouse gases (GHG). On December 15, 2009, the EPA published its final endangerment finding under the CAA to the effect that emissions of GHG threaten both public health and welfare and that emissions of GHG from motor vehicles contribute to that threat. Although the endangerment finding itself did not trigger Prevention of Significant Deterioration (PSD) or Title V

permitting requirements for stationary sources, the EPA's finalization of the GHG Motor Vehicle Emissions Standards in April 2010 did, allowing the EPA to regulate stationary sources for emissions of GHG such as power plants. Then, on May, 13, 2010, the EPA released its "tailoring" rule, which changes or "tailors" the existing pollutant applicability thresholds for GHG for the PSD and Title V Programs to avoid permitting of all sources that meet the current statutory applicability thresholds for these two programs. Regulation of GHG under the PSD and Title V Programs will affect permitting of new generation as well as permitting of modifications at existing plants. The District cannot predict the costs of compliance with such regulation until the EPA issues additional information on implementation, including guidance on possible options for controls or other efforts that might be required, but the costs could be substantial.

Efforts to cap or tax emissions of carbon dioxide from fossil fuel power plants will substantially increase the cost of, and add to the difficulty of siting, constructing, and operating electric generating units. As a result of legislative and regulatory initiatives, the District is planning emission reductions at its coal-fired power plants. In particular, under the terms of a consent agreement with the EPA, the District has agreed to install additional pollution control equipment at CGS and negotiations are ongoing with the EPA for pollution control equipment additions at NGS and Four Corners. The full significance of air quality standards and emission reduction initiatives to the District in terms of costs and operational problems is difficult to predict, but it appears that costly equipment may have to be added to existing units and that permit fees may increase significantly resulting in potentially material cost to the District as well as reduced generation. The District is assessing the risk of policy initiatives on its generation assets and is developing contingency plans to comply with future laws and regulations restricting greenhouse gas emissions. There is no way to predict the impact of such initiatives on the District at this time.

The California Legislature has enacted laws that could impact the District. Under one such law, the California Public Utilities Commission and the California Energy Commission have implemented a regulation that, among other things, prohibits long-term contracts, five years or more, for the procurement of electricity from coal-fired power plants and restricts investments in coal-fired plants. The Los Angeles Department of Water and Power (LADWP), one of the participants in NGS, and SCE, a participant in Four Corners Units 4 and 5, are subject to the regulations and may be precluded from approving certain expenditures at the plants. Also, the California Air Resource Board (CARB) is developing a program to reduce California emission of greenhouse gasses, including an economy-wide cap-and-trade program for greenhouse gases. The CARB regulations could impact the District's ability to sell excess generation into California. Based on available information, the District cannot estimate or predict the impact of the California laws on it at this time.

California Energy Market Issues

Numerous FERC proceedings are addressing various aspects of the California energy market crisis of 2000 through 2001. Several of these proceedings involve potential refunds. Because the District bought from and sold power to the California energy market, the District has been drawn into many of the proceedings. However, the District was a net buyer in the California market during the time periods being scrutinized, and believes it is entitled to refunds if any are ordered. The District has received approximately $32.7 million in refunds as of April 30, 2010.

Indian Matters

From time to time, SRP is involved in litigation and disputes with various Indian tribes on issues concerning regulatory jurisdiction, royalty payments, taxes and water rights, among others (see Coal Supply Litigation above and Water Rights below). Resolution of these matters may result in increased operating expenses.

Water Rights

The District and the Association are parties to a state water rights adjudication proceeding initiated in 1976 which encompasses the entire Gila River System (the Gila River Adjudication). This proceeding is pending in the Superior Court for the State of Arizona, Maricopa County, and will eventually result in the determination of all conflicting rights to water from the Gila River and its tributaries, including the Salt and Verde Rivers. The District and the Association are unable to predict the ultimate outcome of this proceeding.
In 1978, a water rights adjudication was initiated in the Apache County Superior Court with regard to the Little Colorado River System. The District has filed its claim to water rights in this proceeding, which includes a claim for groundwater being used in the operation of CGS. The District is unable to predict the ultimate outcome of this proceeding, but believes an adequate water supply for CGS will remain available.

The Cities of Prescott and Prescott Valley, together with the Town of Chino Valley, have plans to withdraw groundwater from the Big Chino Groundwater Sub-Basin and transport the water to their respective service areas for municipal and industrial uses. The District opposes these plans because it believes that such pumping would deplete the base flow of the Verde River, which is captured and stored by two reservoirs on the Verde River for delivery to Association shareholders. The District is negotiating agreements with the parties which will satisfy its concerns. However, in any case, the District does not believe the dispute will have a significant financial impact on the District or the Association.

Other Litigation

In the normal course of business, SRP is exposed to various litigations or is a defendant in various litigation matters. In management's opinion, the ultimate resolution of these matters will not have a material adverse effect on SRP's financial position or results of operations.

Self-Insurance

The District maintains various self-insurance retentions for certain casualty and property exposures. In addition, the District has insurance coverage for amounts in excess of its self-insurance retention levels. The District provides reserves based on management's best estimate of claims, including incurred but not reported claims. In management's opinion, the reserves established for these claims are adequate and any changes will not have a material adverse effect on the District's financial position or results of operations. The District records the reserves in deferred credits and other non-current liabilities in the accompanying Combined Balance Sheets.

SUMMARY OF THE RESOLUTION

The following is a summary of certain provisions of the Amended and Restated Bond Resolution. Such summary does not purport to be complete, and reference is made to the Resolution for full and complete statements of such provisions.

The purchasers of the 2010 Series Bonds, by virtue of their purchase of the 2010 Series Bonds, will consent to certain amendments to the Resolution (the "Proposed Amendments"). The Proposed Amendments are described in ***bold italic*** font in the forepart of this Official Statement under "SECURITY FOR 2010 SERIES BONDS – Debt Reserve Account," "– Rate Covenant" and "– Limitations on Additional Indebtedness" and in this summary of the Resolution under the captions "Certain Definitions," "Additional Bonds" and "Electric System Rate Covenant." The Proposed Amendments will become effective when the written consents of the Holders of at least two-thirds of the Bonds Outstanding have been filed with the Trustee as provided in the Resolution.

Certain Definitions

The following are definitions in summary form of certain terms contained in the Resolution and used herein and in the Official Statement:

Accounting Practice: Generally accepted accounting principles appropriate to the electric utility industry.

Aggregate Debt Service: For any fiscal year, and as of any date of calculation, the sum of the amounts of Debt Service for such year with respect to all Series.

Cost of Construction: The District's cost of physical construction, costs of acquisition by or for the District of a Project for the Electric System, and costs of the District incidental to such construction or acquisition, the cost of any indemnity and surety bonds and premiums on insurance during construction, engineering expenses, legal fees and expenses, cost of financing, audits, fees and expenses of the Fiduciaries, amounts, if any, required by the Resolution or any Series Resolution to be paid into the Debt Service Fund upon the issuance of any Series of Revenue Bonds, payments when due (whether at the maturity of principal or the due date of interest or upon redemption) on any indebtedness of the District (other than the Revenue Bonds) incurred for a Project for the Electric System, costs of machinery, equipment and supplies and initial working capital and reserves required by the District for the commencement of operation of a Project for the Electric System, and any other costs properly attributable to such construction or acquisition, as determined by Accounting Practice, and shall include reimbursement to the District for any such items of Cost of Construction theretofore paid by the District. Any Series Resolution may provide for additional items to be included in the aforesaid Cost of Construction.

Debt Reserve Account Credit Facility: A letter of credit, revolving credit agreement, surety bond, insurance policy or similar obligation, arrangement or instrument issued by a bank, insurance company or other financial institution, having a rating in the highest rating category from a nationally recognized rating agency, which shall be deposited in the Debt Reserve Account and which provides for the payment of all or a portion of the Debt Reserve Requirement.

Debt Reserve Requirement: As of any date of calculation, an amount equal to one-half of the average annual interest cost for all Outstanding Revenue Bonds, which may be satisfied by the deposit of cash or securities in the Debt Reserve Account or by the deposit of a Debt Reserve Account Credit Facility in the Debt Reserve Account in lieu of or in partial substitution for cash or securities on deposit therein. For purposes of determining the average annual interest cost for any Outstanding Bonds which bear interest at a variable rate, the District shall assume the same average interest cost applicable to such Outstanding Bonds for the previous Fiscal Year.

Debt Service: For any period, as of any date of calculation and with respect to any Series, an amount equal to the sum of (i) interest accruing during such period on Revenue Bonds of such Series (except to the extent that such interest is to be paid from deposits in the Debt Service Account in the Debt Service Fund made from Revenue Bond proceeds, as described in the Resolution), and (ii) that portion of each Principal Installment for such Series which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from

the next preceding Principal Installment due date for such Series (or, if there be no such preceding Principal Installment due date, from a date one year preceding the due date of such Principal Installment). Such interest and Principal Installments for such Series shall be calculated on the assumption that no Revenue Bonds of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof.

Defeasance Securities: Any of the following securities, if and to the extent the same are at the time legal for investment of District funds:

(i) Any security which is (a) a direct obligation of or unconditionally guaranteed by, the United States of America or the State of Arizona or (b) an obligation of an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which is not callable or redeemable at the option of the issuer thereof;

(ii) Any depositary receipt issued by a bank as custodian with respect to any Defeasance Securities which are specified in clause (i) above and held by such bank for the account of the holder of such depository receipt, or with respect to any specific payment of principal or interest on any such Defeasance Securities which are so specified and held, by such bank for the account of the holder of such depositary receipt, or with respect to any specific payment of principal of or interest on any such Defeasance Securities which are so specified and held, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the Defeasance Securities or the specific payment of principal or interest evidenced by such depositary receipt;

(iii) Certificates of deposit, whether negotiable or non-negotiable, and banker's acceptances whose maturity value shall not be greater than 1/25 of the capital and surplus of the accepting bank or commercial paper issued by the parent holding company of any such bank which at the time of investment has an outstanding unsecured, uninsured and unguaranteed debt issue rated in the highest short term rating category by a nationally recognized rating agency;

(iv) Any obligation of any state or political subdivision of a state or of any agency or instrumentality of any state or political subdivision ("Municipal Bond") which Municipal Bond is fully secured as to principal and interest by an irrevocable pledge of moneys or direct and general obligations of, or obligations guaranteed by, the United States of America, which moneys or obligations are segregated in trust and pledged for the benefit of the holder of the Municipal Bond, and which Municipal Bond is rated in the highest rating category by at least two nationally recognized rating agencies, and provided, however, that such Municipal Bond is accompanied by (1) a Counsel's Opinion to the effect that such Municipal Bond will be required for the purposes of the investment being made therein and (2) a report of a nationally recognized independent certified account verifying that the moneys and obligations so segregated are sufficient to pay the principal of, premium, if any, and interest on the Municipal Bond; and

(v) Any other security designated in a Series Resolution as Defeasance Securities for purposes of defeasing the Bonds authorized by such Series Resolution.

Electric System: Properties and assets to which legal title is vested in the District and was so vested on the date of adoption of the Resolution and all properties and assets acquired by the District as renewals and replacements, additions and expansion, and improvements thereto, as recorded in the books of the District pursuant to Accounting Practices, but shall not include properties and assets that may be hereafter purchased, constructed or otherwise acquired by the District as a separate system or facility, the revenue of which may be pledged to the payment of bonds or other forms of indebtedness issued to purchase, construct or otherwise acquire such separate system or facility and shall not include properties or assets charged to Irrigation Plant or any Separately Financed Project.

Federal Subsidy: Any subsidy, reimbursement or other payment from the federal government of the United States of America under the American Recovery and Reinvestment Act of 2009 (or any similar legislation or regulation of the federal government of the United States of America or any other governmental entity or any extension of any of such legislation or regulation).

Fiscal Year: The period commencing May 1 and ending April 30 for each twelve-month period or any other consecutive twelve month period designated by the District from time to time.

Investment Securities: Any securities if and to the extent the same are at the time legal for investment of District funds.

Irrigation Plant: All land and land rights, structure, facilities and equipment used or usable by the District or the Salt River Valley Water Users' Association solely for the development, storage, transportation, distribution and delivery of water to the owners or occupants of the lands within the Salt River Project having rights thereto or to anyone acting on behalf thereof pursuant to contracts with the Salt River Valley Water Users' Association or the District.

Operating Expenses: The District's expenses of operating the Electric System, including, without limiting the generality of the foregoing, all costs of purchased power, operation, maintenance, generation, production, transmission, distribution, repairs, replacements, engineering and transportation required for the operation of the Electric System (including any payments made pursuant to a "take-or-pay" electric supply or energy contract that obligates the District to pay for fuel, energy or power, so long as fuel or energy is delivered or made available for delivery), administrative and general, audit, legal, financial, pension, retirement, health, hospitalization, insurance, taxes and any other expenses actually paid or accrued, without limitation, expenses of the District applicable to the Electric System, as recorded on its books pursuant to Accounting Practice and any other expenses of the District applicable to the Electric System, as recorded on its books pursuant to Accounting Practice, and any other expenses incurred or payments by the District under the provisions of the Resolution or in discharge of obligations required to be paid by local, state or federal laws, all to the extent properly allocable to the Electric System under Accounting Practice, including those expenses the payment of which is not immediately required, such as those expenses related to the funding of a reserve in the Operating Fund. Operating Expenses shall not include any costs or expenses for new construction, falling water used in hydroelectric operations of the District, charges for depreciation, voluntary payments in lieu of taxes and operation, maintenance, repairs, replacement and construction of the Irrigation Plant.

Principal Installment: As of any date of calculation, and with respect to any Series of Revenue Bonds, (i) the principal amount of Revenue Bonds of such Series due on a certain future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance of any Sinking Fund Installments due on a certain future date for bonds of such Series, plus the amount of sinking fund redemption premiums, if any, which would be applicable upon redemption of such Revenue Bonds in a principal amount equal to said unsatisfied balance of such Sinking Fund Installments or (iii) if such future dates coincide as to different Revenue Bonds of such Series, the sum of such principal amount of Revenue Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date plus such applicable redemption premiums, if any.

Project: The purchase, replacement, construction, leasing or acquisition of any real or personal property or interest therein, works or facilities which the District is authorized by law to purchase, replace, construct, lease or otherwise acquire, or the improvement, reconstruction, extension or addition to any real or personal property, works or facilities owned or operated by the District, or any program of development involving real or personal property, works or facilities which the District is authorized by law to purchase, replace, construct, lease or otherwise acquire or the improvement, reconstruction, extension or addition to such program.

Put Bonds: Bonds which, by their terms, may be tendered by and at the option of the owner thereof, or are subject to a mandatory tender, for payment or purchase prior to the stated maturity or redemption date thereof.

Rate Stabilization Fund: The Salt River Project Electric System Rate Stabilization Fund established in the Resolution.

Revenues: (i) All revenues, income, rents and receipts derived by the District from the ownership and operation of the Electric System and the proceeds of any insurance covering business interruption loss relating to the Electric System and (ii) interest received on any moneys or securities (other than in the Construction Fund) held pursuant to the Resolution and paid into the Revenue Fund, but not including any such income or receipts attributable directly or indirectly to the ownership or operation of any Separately Financed Project and not including any federal or state grant monies the receipt of which is conditioned upon their expenditure for a particular purpose.

Revenues Available for Debt Service: For any fiscal year or period of 12 calendar months shall mean all Revenues less Operating Expenses for such Fiscal Year or period.

Trustee: The Trustee is currently U.S. Bank National Association.

(Resolution, Section 1.01).

Pledge of Revenues and Funds

The payment of the principal and redemption price of, and interest on, the Revenue Bonds is secured by (i) the proceeds of sale of the Bonds, (ii) the Revenues, and (iii) all Funds (except the Rate Stabilization Fund) established by the Resolution, including the investments, if any, thereof.

(Resolution, Section 5.01).

Additional Bonds

The District may from time to time issue Bonds pursuant to a Series Resolution which will rank on a parity with and be secured by an equal charge and lien on the Revenues, upon satisfaction of the conditions to the issuance of Bonds contained in Section 2.02 of the Resolution, only if, (a) Revenues Available For Debt Service, adjusted as provided in this caption, of any 12 consecutive calendar months out of the 24 calendar months next preceding the issuance of such proposed additional Bonds, are not less than one and ten hundredths (1 10/100) times the maximum total Debt Service for any succeeding year on all Bonds which will be outstanding immediately prior to the issuance of the proposed additional Bonds, and (b) the estimated Revenues Available For Debt Service, adjusted as provided in this caption, for each of the five (5) Fiscal Years immediately following the issuance of such proposed additional Bonds are not less than one and ten hundredths (1 10/100) times the total, for each such respective Fiscal Year, of the Debt Service on all Bonds which will be outstanding immediately subsequent to the issuance of the proposed additional Bonds.

Prior to the issuance of any additional Bonds evidencing additional indebtedness, the payment of principal, interest and Redemption Price of which additional Bonds will be a lien on the Revenues on a parity with previously issued Series of Bonds, the District shall obtain a certificate of an Authorized Officer of the District evidencing full compliance with the provisions of this caption.

In determining the amount of Revenues Available For Debt Service for the purposes of this caption, the Authorized Officer of the District may adjust the Revenues Available For Debt Service by adding thereto the following:

(i) in the event the District shall have acquired an operating utility or facility subsequent to the beginning of the 12 month period selected pursuant to this caption, an estimate made by an Authorized Officer of the District of such additional Revenues Available For Debt Service for such 12 month period which would have resulted had such operating utility or facility been acquired at the beginning of such 12 month period;

(ii) in the event any adjustment of rates with respect to the Electric System shall have become effective subsequent to the beginning of the 12 month period selected pursuant to this caption, an estimate made by an Authorized Officer of the District of such additional Revenues Available For Debt Service for such 12 month period which would have resulted had such rate adjustment been in effect for the entire period; and

(iii) an estimate made by an Authorized Officer of the District of the amounts from the Rate Stabilization Fund which have been transferred to pay Debt Service for the 12 month period selected pursuant to this caption.

In determining the amount of estimated Revenues Available For Debt Service for the purpose of this caption, the Authorized Officer of the District may adjust the estimated Revenues Available For Debt Service by adding thereto any estimated increase in revenue resulting from any increase in electric rates or any amount on deposit in the Rate Stabilization Fund which is expected to be transferred by the District to pay Debt Service or to offset any increase in electric rates, which, in the opinion of the Authorized Officer of the District, are economically feasible, and reasonably considered necessary based on projected operations for such 5 year period.

For purposes of the calculations specified in this section: (1) any calculation of Debt Service on Outstanding Bonds for any period of time shall be reduced by the amount of any Federal Subsidy that the District receives, or expects to receive, during such period of time relating to or in connection with such Outstanding Bonds; and (2) to the extent the calculation of Debt Service on Outstanding Bonds is reduced by the Federal Subsidy as provided in clause (1) of this paragraph, any calculation of Revenues for any period of time shall be reduced by the amount of any Federal Subsidy received or expected to be received by the District with respect to or in connection with such Outstanding Bonds during such period of time.

The certificate required by this caption shall be conclusive evidence and the only evidence required to show compliance with the provisions and requirements of this caption.

(Resolution, Section 2.04).

Refunding Bonds

One or more Series of Refunding Bonds may be issued at any time to refund any part or all of the Bonds of any one or more Series then Outstanding. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the Debt Service Fund required by this caption or by the provisions of the Series Resolution authorizing such Bonds.

Refunding Bonds of each Series issued to refund any part or all of the Bonds of any one or more Series then Outstanding may be delivered by the District upon receipt by the Trustee of:

(a) Irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds to be refunded on a redemption date specified in such instructions;

(b) If the Bonds to be refunded are not by their terms subject to redemption within the next succeeding 60 days, irrevocable instructions to the Trustee, satisfactory to it, to make due publication of the notice provided for under the caption entitled "Defeasance" to the Holders of the Bonds being refunded;

(c) Either (i) moneys in an amount sufficient to effect payment at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date, which moneys shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for the benefit of such Refunding Bonds until such time as such amount shall be assigned to the respective Holders of the Bonds to be refunded for payment of the Redemption Price of the Bonds to be refunded, together with accrued interest, on the redemption date, or (ii) Defeasance Securities in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions under the caption entitled "Defeasance" and any moneys required pursuant to said caption, which Defeasance Securities and moneys shall be held in trust and used only as provided in subsection (c)(i) of this caption; and

(d) Either (i) a certificate of an Authorized Officer of the District as required by the caption entitled "Additional Bonds" or (ii) a certificate of an Authorized Officer of the District setting forth (1) the Aggregate Debt Service for the then current and each future Fiscal Year to and including the Fiscal Year next preceding the date of the latest maturity of any Bonds of any Series then Outstanding (A) with respect to the Bonds of all Series Outstanding immediately prior to the date of delivery of such Refunding Bonds, and (B) with respect to the Bonds of all Series to be Outstanding immediately thereafter, and (2) that the Aggregate Debt Service set forth for each Fiscal Year pursuant to (B) above is no greater than that set forth for such Fiscal Year pursuant to (A) above.

The proceeds, including accrued interest, of the Refunding Bonds of each such Series shall be applied simultaneously with the delivery of such Bonds in the manner provided in the Series Resolution authorizing such Bonds.

Any balance of the proceeds of Refunding Bonds not needed for the purposes provided in this caption or in the Series Resolution authorizing such Bonds may be used by the District, to the extent necessary, to pay any expenses

incurred in connection with the issuance of such Refunding Bonds and, thereafter, any remaining balance not so needed by the District shall be deposited in the Revenue Fund.

(Resolution, Section 2.05).

Separately Financed Projects

Nothing in this Resolution shall prevent the District from authorizing and issuing bonds, notes or other obligations or evidences of indebtedness, other than Bonds, for any project authorized by the Act, or from financing any such project from other available funds (such project being referred to herein as a "Separately Financed Project"), if the debt service on such bonds, notes, or other obligations or evidences of indebtedness, if any, and the District's share of any operating expenses related to such Separately Financed Project, are payable solely from the revenues or other income derived from the ownership or operation of such Separately Financed Project.

(Resolution, Section 2.06).

Subordinated Indebtedness

The District may, at any time, or from time to time, issue evidences of indebtedness payable out of Revenues and which may be secured by a pledge of Revenues; provided, however, that such pledge shall be and shall be expressed to be, subordinate in all respects to the pledge of the Revenues, moneys, securities and funds created by the Resolution.

(Resolution, Section 5.09).

Establishment of Funds and Application Thereof

The Resolution creates and establishes the following Funds and Accounts:

(1) Salt River Project Electric System Construction Fund, to be held by the District,

(2) Salt River Project Electric System Revenue Fund, to be held by the District,

(3) Salt River Project Electric System Debt Service Account, to be held by the Trustee,

(4) Salt River Project Electric System Debt Reserve Account, to be held by the Trustee,

(5) Salt River Project Electric System Rate Stabilization Fund, to be held by the District, and

(6) Salt River Project Electric System Redemption Fund, to be held by the Trustee.

Construction Fund. There shall be paid into the Construction Fund the amounts required to be so paid by the provisions of the Resolution, and there may be paid into the Construction Fund, at the option of the District, any moneys received for or in connection with the Electric System by the District from any other source, unless required to be otherwise applied as provided by the Resolution.

The proceeds of insurance maintained pursuant to the Resolution against physical loss of or damage to a Project, or of contractors' performance bonds with respect thereto, pertaining to the period of construction thereof, shall be paid into the Construction Fund.

Unless otherwise provided herein, amounts in the Construction Fund shall be applied to the purpose or purposes specified in the Series Resolution authorizing the Bonds.

Notwithstanding any of the other provisions of this subheading, to the extent that other moneys are not available therefor, amounts in the Construction Fund shall be applied to the payment of principal of and interest on Bonds when due.

Amounts in the Construction Fund shall be invested by the District to the fullest extent practicable in Investment Securities maturing in such amounts and at such times as may be necessary to provide funds when needed to pay the Cost of Construction or such other purpose to which such moneys are applicable. The District may, and to the extent required for payments from the Construction Fund shall, sell any such Investment Securities at any time, and the proceeds of such sale, and of all payments at maturity and upon redemption of such investments, shall be held in the Construction Fund. Interest received on moneys or securities in the Construction Fund shall be deposited in the Construction Fund.

Revenues and Revenue Fund. The Resolution establishes a Revenue Fund and provides that there shall be promptly deposited by the District to the credit of the Revenue Fund all Revenues.

Payment of Operating Expenses. The District (a) shall out of the moneys in the Revenue Fund, pay, free and clear of any lien or pledge created by the Resolution, all amounts required for reasonable and necessary Operating Expenses, and (b) may at all times retain in the Revenue Fund amounts deemed by the District to be reasonable and necessary for working capital and reserves for Operating Expenses including expenses which do not recur annually; provided that the total amount of such reserves set aside during any year shall not exceed 20% of the amount of Operating Expenses for such year.

Payments Into Certain Funds. The District shall out of the moneys in the Revenue Fund not retained therein pursuant to this subheading, on or before each date for the payment of Debt Service, transfer and apply such amount to the Debt Service Fund (i) for credit to the Debt Service Account, to the extent required so that the balance in said Account shall equal the Aggregate Debt Service; provided that, for the purposes of computing the amount to be allocated to said Account, there shall be excluded the amount, if any, set aside in said Account which was deposited therein from the Rate Stabilization Fund or from the proceeds of Bonds less an amount equal to the interest accrued and unpaid and to accrue on Bonds (or any Refunding Bonds issued to refund Bonds) to the last day of the then current calendar month; and (ii) for credit to the Debt Reserve Account, an amount equal to one-twelfth of twenty percent (1/12 of 20%) of the amount necessary to make the total amount of moneys on deposit therein equal to the Debt Reserve Requirement; provided, however, that no deposits shall be required if the District shall deposit a Debt Reserve Account Credit Facility in the Debt Reserve Account in satisfaction of the Debt Reserve Requirement.

The District may out of the moneys in the Revenue Fund not retained therein pursuant to this subheading or applied pursuant to this subheading, upon a determination by an Authorized Officer of the District at any time prior to the next Debt Service payment date that sufficient funds are or will be available in the Debt Service Account to pay Debt Service on the next Debt Service payment date and that sufficient moneys, securities or a Debt Reserve Account Credit Facility equal to the Debt Reserve Requirement are or will be on deposit in the Debt Reserve Account to satisfy the Debt Reserve Requirement, transfer such amount as follows and in the following order:

(1) To the Rate Stabilization Fund, an amount deemed necessary by the District which may be used by the District for any lawful purpose; and

(2) To the General Fund, any such remaining balance in the Revenue Fund. Any amount so transferred to the General Fund of the District may be used by the District for any lawful purpose.

Provided, however, that so long as there shall be held in the Debt Service Fund an amount sufficient to fully pay all Outstanding Bonds in accordance with their terms (including principal or applicable sinking fund Redemption Price and interest thereon), no deposits shall be required to be made into the Debt Service Fund.

Debt Service Fund. Debt Service Account. The Trustee shall pay out of the Debt Service Account to the respective Paying Agents (i) on or before each interest payment date for any of the Bonds, the amount required for the interest payable on such date; (ii) on or before each Principal Installment due date, the amount required for the Principal Installment payable on such due date; and (iii) on or before the day preceding any redemption date for the Bonds, the amount required for the payment of interest on the Bonds then to be redeemed. Such amounts shall be applied by the Paying Agents on and after the due dates thereof. The Trustee shall also pay out of the Debt Service Account the accrued interest included in the purchase price of the Bonds purchased for retirement.

Amounts accumulated in the Debt Service Account with respect to any Sinking Fund Installment (together with amounts accumulated therein with respect to interest on the Bonds for which such Sinking Fund Installment was

established) may and, if so directed by the District, shall be applied by the Trustee, on or prior to the 60th day preceding the due date of such Sinking Fund Installment, to (i) the purchase of Bonds of the Series for which such Sinking Fund Installment was established, or (ii) the redemption at the applicable sinking fund Redemption Prices pursuant to Article IV of the Resolution, of such Bonds, if then redeemable by their terms. After the 60th day but on or prior to the 40th day preceding the due date of such Sinking Fund Installment, any amounts then on deposit in the Debt Service Account (exclusive of amounts, if any, set aside in said Account which were deposited therein from the proceeds of additional Bonds) may and, if so directed by the District, shall be applied by the Trustee to the purchase of Bonds of the Series for which such Sinking Fund Installment was established in an amount not exceeding that necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment. All purchases of any Bonds pursuant to this subheading shall be made at prices not exceeding the applicable sinking fund Redemption Price of such Bonds plus accrued interest, and such purchases shall be made in such manner as the Trustee shall determine. The applicable sinking fund Redemption Price (or principal amount of maturing Bonds) of any Bonds so purchased or redeemed shall be deemed to constitute part of the Debt Service Account until such Sinking Fund Installment date, for the purpose of calculating the amount of such Account. As soon as practicable after the 40th day preceding the due date of any such Sinking Fund Installment, the Trustee shall proceed to call for redemption, by giving notice as provided in Section 4.05 of the Resolution, on such due date Bonds of the Series for which such Sinking Fund Installment was established (except in the case of Bonds maturing on a Sinking Fund Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment. The Trustee shall pay out of the Debt Service Account to the appropriate Paying Agents, on or before the day preceding such redemption date (or maturity date), the amount required for the redemption of the Bonds so called for redemption (or for the payment of such Bonds then maturing), and such amount shall be applied by such Paying Agents to such redemption (or payment). All expenses in connection with the purchase or redemption of Bonds shall be paid by the District from the Revenue Fund as an Operating Expense.

The amount, if any, deposited in the Debt Service Account from the proceeds of each Series of Bonds shall be set aside in such Account and applied to the payment of interest on the Bonds of such Series (or Refunding Bonds issued to refund such Bonds) as the same becomes due and payable.

Debt Reserve Account. If on the first working day of any month the amount on deposit in the Debt Reserve Account shall be less than the Debt Reserve Requirement, the Trustee shall apply amounts from the Debt Service Fund to the extent necessary to make good the deficiency. In the event that there is on deposit in the Debt Reserve Account moneys and a Debt Reserve Account Credit Facility, the Trustee shall withdraw moneys prior to making a draw or claim, as the case may be, on a Debt Reserve Account Credit Facility.

Whenever the amount on deposit in the Debt Reserve Account shall exceed the Debt Reserve Requirement, such excess shall be allocated and applied by the District in the same manner as Revenues pursuant to the subheading entitled "Payments Into Certain Funds" under the caption entitled "Establishment of Funds and Application Thereof".

Whenever the amount in the Debt Reserve Account, together with the amount in the Debt Service Account, is sufficient to fully pay all Outstanding Bonds in accordance with their terms (including principal or applicable sinking fund Redemption Price and interest thereon), the funds on deposit in the Debt Reserve Account shall be transferred to the Debt Service Account.

The District may cause to be delivered to the Trustee for deposit into the Debt Service Account, and the Trustee shall upon its receipt so deposit, a Debt Reserve Account Credit Facility for the benefit of the Bondholders, which Debt Reserve Account Credit Facility shall be payable or available to be drawn upon, as the case may be (upon the giving of notice as required thereunder), on any date on which a deficiency in the Debt Service Fund exists which cannot be cured by moneys in any other fund or account held hereunder and available for such purpose; provided, however, (i) if a disbursement is made under the Debt Reserve Account Credit Facility, the District shall either reinstate the maximum limits of such Debt Reserve Account Credit Facility within twelve (12) months following such disbursement equal to the Debt Reserve Requirement or deposit into the Debt Reserve Account moneys in the amount of the disbursement made under such Debt Reserve Account Credit Facility, or a combination of such alternatives as shall equal the Debt Reserve Requirement; (ii) if any such Debt Reserve Account Credit Facility for deposit in the Debt Service Reserve Fund is obtained and if six (6) months prior to the expiration thereof, the Debt Reserve Account is less than the Debt Reserve Requirement, the District shall cause the reinstatement of the maximum limits of such existing Debt Reserve Account Credit Facility, or shall obtain a substitute to the extent necessary to fund the Debt Reserve Account at the Debt Reserve Requirement; and (v) if a nationally recognized

rating agency shall downgrade the rating of the Bonds, if any, as a result of such deposit of any such Debt Reserve Account Credit Facility or the rating of the provider thereof drops below the highest rating category for a nationally recognized rating agency, then the District shall deliver to the Trustee for deposit in the Debt Reserve Account a replacement of such Debt Reserve Account Credit Facility, in like amount and form acceptable to the Trustee and such that the nationally recognized rating agency will not reduce or withdraw their ratings, if any, on the Bonds, or deposit moneys in an amount sufficient to fund the Debt Reserve Account in an amount equal to the Debt Reserve Requirement within twelve (12) months following such downgrade.

Rate Stabilization Fund. There may be deposited in the Rate Stabilization Fund any amounts deemed necessary by the District to be used for any lawful purpose of the District, including but not limited to making any deposits required by the Resolution to any Fund, as determined by the District; provided, however, that no such deposit to any such Fund shall be required; provided further, however, that if at any time the amounts in the Operating Fund or Debt Service Fund shall be less than the current requirements thereof, the District shall withdraw from the Rate Stabilization Fund and deposit in such other Funds the amount necessary (or all the moneys in the Rate Stabilization Fund, if less than the amounts necessary, applying available amounts in the order of priority and otherwise as specified under the subheading entitled "Payments Into Certain Funds" under the caption entitled "Establishment of Funds and Application Thereof") to make up such deficiency. Amounts on deposit in the Rate Stabilization Fund may be invested by the District to the fullest extent practicable in Investment Securities. The District may sell any such Investment Securities at any time, and the proceeds of such sale, and of all payments at maturity and upon redemption of such investments, shall be held in the Rate Stabilization Fund. Interest received on moneys or securities in the Rate Stabilization Fund shall be deposited in the Rate Stabilization Fund. Amounts in the Rate Stabilization Fund which the District may determine to be in excess of the amount required to be maintained therein shall be transferred to the Revenue Fund. Amounts on deposit in the Rate Stabilization Fund are not subject to the lien or pledge created by the Resolution.

Redemption Fund. There shall be deposited in the Redemption Fund amounts required to be deposited therein pursuant to the subheading entitled "Creation of Liens: Sale and Lease of Properties" under the caption entitled "Certain Other Covenants" and the caption entitled "Reconstruction; Application of Insurance Proceeds". Amounts in the Redemption Fund shall be used by the District for the purchase or redemption of any Bonds, and expenses in connection with the purchase or redemption of any Bonds.

(Resolution, Sections 5.02-5.08; 5.10).

Operation and Maintenance of Electric System.

The District shall at all times operate or cause to be operated the Electric System properly and in an efficient and economical manner, consistent with good business and utility operating practices, and shall maintain, preserve, reconstruct and keep the same or cause the same to be so maintained, preserved, reconstructed and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation of the Electric System may be properly and advantageously conducted; provided, however, that nothing contained herein shall prevent the District from exercising its powers under the subheading entitled "Creation of Liens: Sale and Lease of Properties" under the caption entitled "Certain Other Covenants"; provided further, however, that any sale-leaseback or lease-leaseback of any part of the Electric System or other similar contractual arrangements, the effect of which is that the District continues to retain the Revenues therefrom, shall not constitute a lease or disposition of such part of the Electric System for purposes described under the subheading entitled "Creation of Liens: Sale and Lease of Properties" under the caption entitled "Certain Other Covenants" and any proceeds therefrom shall be treated as Revenues.

(Resolution, Section 7.10).

Reconstruction; Application of Insurance Proceeds.

If any useful portion of the Electric System shall be damaged or destroyed, the District shall, as expeditiously as possible, continuously and diligently prosecute the reconstruction or replacement thereof, unless the District determines that such reconstruction and replacement is not in the interest of the District and the Bondholders. The proceeds of any insurance shall be paid on account of such damage or destruction, other than business interruption

loss insurance, shall be held by the District in the Construction Fund and made available for, and to the extent necessary be applied to, the cost of such reconstruction or replacement, or shall be applied to the construction or acquisition of any properties or assets of the Electric System. Pending such application, such proceeds may be invested by the District in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed to pay such cost of reconstruction or replacement or acquisition. Interest earned on such investments shall be deposited in the Construction Fund. The proceeds of any such insurance not applied by the District to constructing or replacing damaged or destroyed property or in acquiring property or assets of the Electric System shall be paid to the Trustee for deposit in the Redemption Fund.

The proceeds of business interruption loss insurance, if any, shall be paid into the Revenue Fund.

(Resolution, Section 7.13).

Transfer from General Fund

In the event there is a deficiency in the Debt Service Account and if such a deficiency is not paid from other sources, the District shall transfer money in the General Fund to the Debt Service Account an amount sufficient to make up such deficiency.

(Resolution, Section 7.17).

Electric System Rate Covenant

The District shall charge and collect rates, fees and other charges for the sale of electric power and energy and other services, facilities and commodities of the Electric System as shall be required to provide revenues and income (including investment income) at least sufficient in each Fiscal Year for the payment of the sum of:

(a) Operating Expenses during such Fiscal Year, including reserves, if any, therefor provided for in the Annual Budget for such year;

(b) An amount equal to the Aggregate Debt Service for such Fiscal Year;

(c) The amount, if any, to be paid during such Fiscal Year into the Debt Reserve Account in the Debt Service Fund; and

(d) All other charges or liens whatsoever payable out of revenues and income during such Fiscal Year and, to the extent not otherwise provided for, all amounts payable on Subordinated Indebtedness.

If, in any Fiscal Year, the revenues and income collected shall not have been sufficient to provide all of the payments and meet all other requirements as specified in the preceding paragraphs in this caption, the District shall as promptly as permitted by law establish and place in effect a schedule of rates, fees and charges which will cause sufficient revenues and income to be collected. For purposes of this caption, at any time, revenues and income collected shall include any amounts withdrawn or expected to be withdrawn thereafter in any Fiscal Year from the Rate Stabilization Fund which were on deposit therein prior to such Fiscal Year.

The failure in any Fiscal Year to comply with the Electric System Rate Covenant shall not constitute an Event of Default under the Resolution, if the District shall comply with the requirements of the immediately preceding paragraph.

For purposes of the calculations specified in this section: (1) any calculation of Debt Service on Outstanding Bonds for any period of time shall be reduced by the amount of any Federal Subsidy that the District receives or expects to receive during such period of time relating to or in connection with such Outstanding Bonds; and (2) to the extent the calculation of Debt Service on Outstanding Bonds is reduced by the Federal Subsidy as provided in clause (1) of this paragraph, any calculation of Revenues for any period of time shall be reduced by the amount of any Federal Subsidy received or expected to be received by the District with respect to or in connection with such Outstanding Bonds during such period of time.

(Resolution, Section 7.11).

Certain Other Covenants

No Free Service: The District will not furnish or supply power or energy free of charge to any person, firm or corporation, public or private, and the District shall promptly enforce the payment of any and all accounts owing to the District by reason of the ownership and operation of the Electric System, to the extent dictated by sound business practice.

(Resolution, Section 7.11-3).

Power to Operate Electric System and Collect Rates and Fees: The District has good right and lawful power to construct, reconstruct, improve, maintain, operate and repair the Electric System, and to fix and collect rates, fees, rents and other charges in connection therewith.

(Resolution, Section 7.06).

Creation of Liens: Sale and Lease of Properties: The District shall not hereafter issue any bonds or other evidences of indebtedness payable out of or secured by a pledge of any revenues or income of the Electric System, except as in this Resolution provided.

The District shall not issue any bonds or other evidences of indebtedness other than the Bonds, payable out of or secured by a pledge of any revenues or income of the Electric System or of the moneys, securities or funds held or set aside by the District or by the Fiduciaries under the Resolution and shall not create or cause to be created any lien or charge on any revenues or income of the Electric System, or such moneys, securities or funds; provided, however, that nothing contained in the Resolution shall prevent the District from issuing Subordinated Indebtedness as provided in the caption entitled "Subordinated Indebtedness", and provided further that the District may, for its authorized purposes, make or assume loans with the United States of America, which loans may be secured by lien on revenues and income of the Electric System prior to the lien of the Bonds issued hereunder.

The District may sell or exchange at any time and from time to time any property constituting part of the Electric System and may lease or make contracts or grant licenses for the operation of, or grant easements or other rights with respect to, any part of the Electric System if (i) in the sole judgment of the District it is advisable to take such action, (ii) such action shall not impair the ability of the District to make Debt Service payments, and (iii) such action does not materially impede or unduly restrict the operation by the District of the Electric System. Except as provided under the caption entitled "Operation and Maintenance of Electric System", any proceeds of any such sale, exchange, lease, contract or license shall at the discretion of the District be deposited in the Redemption Fund for application to the purchase or redemption of Bonds or be applied for any lawful purpose.

(Resolution, Section 7.07).

Insurance: The District shall provide protection for the Electric System in accordance with sound electric utility practice which may consist of insurance, self insurance and indemnities. Any insurance shall be in the form of policies or contracts for insurance with insurers of good standing, shall be payable to the District as its interest may appear, and may provide for such deductibles, exclusions, limitations, restrictions and restrictive endorsements customary in policies for similar coverage issued to entities operating properties similar to the properties of the Electric System. Any self insurance shall be in the amounts, manner and of the types provided by entities operating properties similar to the properties of the Electric System.

(Resolution, Section 7.12).

Accounts and Reports: The District shall keep, in accordance with Accounting Practice, proper books of record and account of its transactions relating to the Electric System and the Funds and Accounts established by the Resolution, together with all contracts for the sale of power and energy and all other books and papers of the District, including insurance policies, relating to the Electric System and such Funds and accounts.

The Trustee shall advise the District promptly after the end of each month of its transactions during such month relating to the funds and accounts held by it under the Resolution.

The District shall annually, within 180 days after the close of each fiscal year, file with the Trustee, and otherwise as provided by law, a copy of the annual report of the District for such year, accompanied by an Accountant's Report. In addition, the District will file with the Trustee a statement, or statements, accompanied by an Accountant's Report of each fund and account established under the Resolution, summarizing the receipts therein and disbursements therefrom during such year and the amounts held therein at the end of each year. Such Accountant's Report on the statement summarizing the transactions in the funds established under the Resolution shall state whether or not, to the knowledge of the signer, the District is in default with respect to any of the covenants, agreements or conditions as set forth under the subheading entitled "Events of Default" under the caption entitled "Events of Default and Remedies", insofar as they pertain to accounting matters and, if so, the nature of such default; provided, however, that to the extent such statement would be contrary to the then current recommendations of the American Institute of Certified Public Accountants or other governing or regulatory entities that provide similar guidance, the District may file a certificate with the Trustee executed by an Authorized Officer of the District certifying to those matters not otherwise stated in the Accountant's Report, which District certification, together with the Accountant's Report so filed, shall be deemed to have satisfied the requirements of this paragraph.

The reports, statements and other documents required to be furnished to the Trustee pursuant to this caption shall be available for the inspection of the Revenue Bondholders at the office of the Trustee and shall be mailed to each Revenue Bondholder who shall file a written request therefore with the District.

(Resolution, Section 7.14).

Defeasance

If the District shall pay or cause to be paid or there shall otherwise be paid, to the Holders of any Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then the pledge of any Revenues, and other moneys and securities pledged under the Resolution and all covenants, agreements and other obligations of the District to the Bondholders, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall cause an accounting for such period or periods as shall be requested by the District to be prepared and filed with the District and, upon the request of the District, shall execute and deliver to the District all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiduciaries shall pay over or deliver to the District all moneys or securities held by them pursuant to the Resolution which are not required for the payment of principal or Redemption Price, if applicable, on Bonds or payment of interest. If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Outstanding Bonds of a particular Series the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Resolution, such Bonds shall cease to be entitled to any lien, benefit or security under the Resolution, and all covenants, agreements and obligations of the District to the Holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds or the principal or interest installments or Redemption Price for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Paying Agents (through deposit by the District of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. Any Outstanding Bonds of any Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the District shall have given to the Trustee in form satisfactory to it irrevocable instructions to publish as provided in Article IV of the Resolution notice of redemption of such Bonds on said date, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the District shall have given the Trustee in form satisfactory to it irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in the Authorized Newspapers a notice to the owners of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with

this caption and stating such maturity or redemption date upon which moneys are available for the payment of the principal or Redemption Price, if applicable, on said Bonds. Neither Defeasance Securities nor moneys deposited with the Trustee pursuant to this caption nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the District, as received by the Trustee, free and clear of any trust, lien or pledge.

Anything in the Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for five years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for five years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds became due and payable, shall, at the written request of the District, be repaid by the Fiduciary to the District, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the District for the payment of such Bonds; provided, however, that before being required to make any such payment to the District, the Fiduciary shall, at the expense of the District, cause to be published at least twice, at an interval of not less than seven days between publications, in the Authorized Newspapers, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the District.

(Resolution, Section 12.01).

Events of Default and Remedies

Events of Default: If one or more of the following events (in the Resolution called "Events of Default") shall happen, that is to say:

(i) if default shall be made in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity or by call for redemption, or otherwise,

(ii) if default shall be made in the due and punctual payment of any installment of interest on any Bond or the unsatisfied balance of any Sinking Fund Installment therefor (except when such Installment is due on the maturity date of such Bond), when and as such interest installment or Sinking Fund Installment shall become due and payable, and such default shall continue for a period of 30 days,

(iii) if default shall be made by the District in the performance or observance of the covenants, agreements and conditions on its part as provided under the caption entitled "Electric System Rate Covenant",

(iv) if default shall be made by the District in the performance or observance of any other of the covenants, agreements or conditions on its part in the Resolution or in the Bonds contained, and such default shall continue for a period of 60 days after written notice thereof to the District by the Trustee or to the District and to the Trustee by the Holders of not less than a majority in principal amount of the Bonds Outstanding, provided that if such default shall be such that it cannot be corrected within such sixty day period, it shall not constitute an Event of Default if corrective action is instituted within such period and diligently pursued until the failure is corrected, or

(v) if (1) a decree or order for relief is entered by a court having jurisdiction of the District adjudging the District a bankrupt or insolvent or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition in respect of the District in any involuntary case under the Federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State of Arizona; (2) a receiver, liquidator, assignee, custodian, trustee, sequester or other similar official of the District or of any substantial portion of its property is appointed; or (3) the winding up or liquidation of its affairs is ordered and

the continuance of any such decree or order unstayed and in effect for a period of sixty (60) consecutive days, then, and in each and every such case, so long as such Event of Default shall not have been remedied, unless the principal of all the Bonds shall have already become due and payable, either the Trustee (by notice in writing to the District), or the Holders of not less than 25% in principal amount of the Bonds Outstanding (by notice in writing to the District and the Trustee), may declare the principal of all the Bonds then Outstanding and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything in the Resolution or in any of the Bonds contained to the contrary notwithstanding. The right of the Trustee or of the Holders of not less than 25% in principal amount of the Bonds to make any such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before the Bonds shall have matured by their terms, all overdue installments of interest upon the Bonds, together with interest on such overdue installments of interest to the extent permitted by law, and the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums then payable by the District under the Resolution (except the principal of, and interest accrued since the next preceding interest date on, the Bonds due and payable solely by virtue of such declaration) shall either be paid by or for the account of the District or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Bonds or under the Resolution (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be made good or be secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, then and in every such case the Holders of a majority in principal amount of the Bonds Outstanding, by written notice to the District and to the Trustee, may rescind such declaration and annul such default in its entirety, or, if the Trustee shall have acted itself, and if there shall not have been theretofore delivered to the Trustee written direction to the contrary by the Holders of a majority in principal amount of the Bonds then Outstanding, then any such declaration shall ipso facto be deemed to be rescinded and any such default and its consequences shall ipso facto be deemed to be annulled, but no such rescission and annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

Accounting and Examination of Records After Default: The District covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and account of the District and all other records relating to the Electric System shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys, including the engineer or firm of engineers appointed pursuant to the subheading entitled "Application of Revenues and other Moneys After Default" under this caption.

The District covenants that if an Event of Default shall happen and shall not have been remedied, the District, upon demand of the Trustee, will account, as if it were the trustee of an express trust, for all Revenues and other moneys, securities and funds pledged or held under the Resolution for such period as shall be stated in such demand.

Application of Revenues and other Moneys After Default: The District covenants that if an Event of Default shall happen and shall not have been remedied, the District, upon demand of the Trustee, shall pay over to the Trustee (i) forthwith, all moneys, securities and funds then held by the District in any Fund or Account under the Resolution, and (ii) all Revenues as promptly as practicable after receipt thereof.

During the continuance of an Event of Default, the Trustee shall apply such moneys, securities, funds and Revenues and the income therefrom as follows and in the following order:

(i) to the payment of the amounts required for reasonable and necessary Operating Expenses, and for reasonable renewals, repairs and replacements of the Electric System necessary to prevent loss of Revenues, as certified to the Trustee by an independent engineer or firm of engineers of recognized standing (who may be an engineer or firm of engineers retained by the District for other purposes) selected by the Trustee. For this purpose the books of record and accounts of the District relating to the Electric System shall at all times be subject to the inspection of such engineer or firm of engineers during the continuance of such Event of Default;

(ii) to the payment of the reasonable and proper charges, expenses and liabilities of the Trustee and of any engineer or firm of engineers selected by the Trustee pursuant to Article VIII of the Resolution;

(iii) to the payment of the interest and principal or Redemption Price then due on the Bonds, subject to the provisions of Section 7.02 of the Resolution, as follows:

(a) unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) if the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bonds over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

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

Proceedings Brought by Trustee: If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may proceed, and upon written request of the Holders of not less than [a majority] in principal amount of the Bonds Outstanding shall proceed, to protect and enforce its right and the rights of the Holders of the Bonds under the Resolution forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant herein contained, or in aid of the execution of any power herein granted, or for an accounting against the District as if the District were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Resolution.

All rights of action under the Resolution may be enforced by the Trustee without the possession of any of the Bonds or the production thereof on the trial or other proceedings, and any such suit or proceedings instituted by the Trustee shall be brought in its name.

The Holders of not less than a majority in principal amount of the Bonds at the time Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, provided that the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Bondholders not parties to such direction.

Upon commencing a suit in equity or upon other commencement of judicial proceedings by the Trustee to enforce any right under the Resolution, the Trustee shall be entitled to exercise any and all rights and powers conferred in the Resolution and provided to be exercised by the Trustee upon the occurrence of an Event of Default.

Regardless of the happening of an Event of Default, the Trustee shall have power to, but unless requested in writing by the Holders of a majority in principal amount of the Bonds then Outstanding, and furnished with reasonable security and indemnity, shall be under no obligation to, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Resolution by any acts which may be unlawful or in violation of the Resolution, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interest and the interest of the Bondholders.

Restriction on Bondholder's Action: No Holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Resolution or the execution of any trust under the Resolution or for any remedy under the Resolution, unless such Holder shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in Article VIII of the Resolution, and the Holders of [not less than a majority] in principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in the Resolution or by the Act or by the laws of Arizona or to institute such action, suit or proceeding in its own name, and unless such Holders shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of 60 days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the Resolution, or to enforce any right under the Resolution, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Resolution shall be instituted, had and maintained in the manner provided in the Resolution and for the equal benefit of all Holders of the Outstanding Bonds, subject only to the provisions of Section 7.02 of the Resolution.

Nothing in the Resolution or in the Bonds contained shall affect or impair the obligation of the District, which is absolute and unconditional, to pay at the respective dates of maturity and places therein expressed the principal of and interest on the Bonds to the respective Holders thereof, or affect or impair the right of action, which is also absolute and unconditional, of any Holder to enforce such payment of his Bond.

Remedies Not Exclusive: No remedy by the terms of the Resolution conferred upon or reserved to the Trustee or the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or existing at law or equity or by statute on or after the date of adoption of this Resolution.

Effect of Waiver and Other Circumstances: No delay or omission of the Trustee or of any Bondholder to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such default or be an acquiescence therein; and every power and remedy given by Article VIII of the Resolution to the Trustee or to the Bondholders may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the Bondholders.

Prior to the declaration of maturity of the Bonds as provided under the subheading entitled "Events of Default" under this caption, the Holders of not less than 25% in principal amount of the Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may, on behalf of the Holders of all of the Bonds waive any past default under the Resolution and its consequences, except a default in the payment of interest on or principal of or premium (if any) on any of the Bonds. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Notice of Default: The Trustee shall promptly mail to registered Holders of Bonds, and to all Bondholders who shall have filed their names and addresses with the Trustee for such purpose written notice of the occurrence of any Event of Default. If for any Fiscal Year the Revenues shall be insufficient to comply with the provisions under the caption entitled "Electric System Rate Covenant", the Trustee, on or before the 30th day after receipt of the annual audit, shall mail to such registered Holders and such Bondholders written notice of such failure.

Responsibilities of Fiduciaries: The recitals of fact herein and in the Bonds contained shall be taken as the statements of the District and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of the Resolution or of any Bonds issued thereunder or as to the security afforded by the Resolution, and no Fiduciary shall incur any liability in respect thereof. No Fiduciary

shall be under any responsibility or duty with respect to the application of any moneys paid to the District or to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act, which would involve it in expense or liability, or to institute or defend any suit in respect hereof, or to advance any of its own moneys, unless properly indemnified. Subject to the provisions of the following paragraph, no Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence, misconduct or default.

The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Resolution. In case an Event of Default has occurred (which has not been cured) the Trustee shall exercise such of the rights and powers vested in it by the Resolution, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. Any provision of the Resolution relating to action taken or to be taken by the Trustee or to evidence upon which the Trustee may rely shall be subject to the provisions of this subheading.

(Resolution, Sections 8.01-8.08, 9.03).

Supplemental Resolutions

For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of the District may be adopted, which, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the District, shall be fully effective in accordance with its terms:

(1) To close the Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Resolution on, the delivery of Bonds or the issuance of other evidences of indebtedness;

(2) To add to the covenants and agreements of the District in the Resolution, other covenants and agreements to be observed by the District which are not contrary to or inconsistent with the Resolution as theretofore in effect;

(3) To add to the limitations and restrictions in the Resolution, other limitations and restrictions to be observed by the District which are not contrary to or inconsistent with the Resolution as theretofore in effect;

(4) To authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in Section 2.02 of the Resolution, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first delivery of such Bonds;

(5) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Resolution, of the Revenues or of any other moneys, securities or funds;

(6) To modify any of the provisions of the Resolution in any respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding, and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series delivered after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof;

(7) To modify any of the provisions of the Resolution to permit compliance with any amendment to the Internal Revenue Code of 1986, as amended, or any successor thereto, as the same may be in effect from time to time, if, in the Opinion of Bond Counsel, failure to so modify the Resolution either would adversely affect the ability of the District to issue Bonds the interest on which is excludable from gross income for purposes of federal income taxation, or is necessary or advisable to preserve such exclusion with respect to any Outstanding Bonds;

(8) To comply with such regulations and procedures as are from time to time in effect relating to establishing and maintaining a book-entry-only system;

(9) To provide for the issuance of Bonds in coupon form payable to bearer;

(10) To comply with the requirements of any nationally recognized rating agency in order to maintain or improve a rating on the Bonds by such rating agency;

(11) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution; or

(12) To insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to or inconsistent with the Resolution as theretofore in effect.

Supplemental Resolutions Effective With Consent of Trustee: At any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Bondholders in accordance with and subject to the provisions of Article XI of the Resolution, which Supplemental Resolution, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the District and upon compliance with the provisions of said Article XI, shall become fully effective in accordance with its terms as provided in said Article XI.

General Provisions: The Resolution shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of Article X and Article XI of the Resolution. Nothing in Article X or Article XI of the Resolution contained shall affect or limit the right or obligation of the District to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the provisions of Section 7.04 of the Resolution or the right or obligation of the District to execute and deliver to any Fiduciary any instrument which elsewhere in the Resolution it is provided shall be delivered to said Fiduciary.

Any Supplemental Resolution referred to and permitted or authorized by this caption may be adopted by the District without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in said Sections, respectively. The copy of every Supplemental Resolution when filed with the Trustee shall be accompanied by a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the District and enforceable in accordance with its terms.

The Trustee is authorized to accept the delivery of a certified copy of any Supplemental Resolution referred to and permitted or authorized by this caption and subheading and to make all further agreements and stipulations which may be therein contained, and the Trustee, in taking such action, shall be fully protected in relying on an opinion of counsel (which may be a Counsel's Opinion) that such Supplemental Resolution is authorized or permitted by the provisions of the Resolution.

No Supplemental Resolution shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

(Resolution, Section 10.01-10.03).

Amendment with Consent of Bondholders

Any modification or amendment of the Resolution and of the rights and obligations of the District and of the Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the following paragraph of the Holders of at least two-thirds in principal amount of the Bonds Outstanding at the time such consent is given, and (ii) in case less than all of the several Series of Bonds then Outstanding or less than all the Bonds of a Series then Outstanding are affected by the modification or amendment, of the Holders of at least two-thirds in principal amount of the Bonds so affected and Outstanding at the time such consent is given, and (iii) in case the modification or amendment changes the terms of any Sinking Fund Installment, of Holders of at least two-thirds in principal amount of the Bonds entitled to such Sinking Fund Installment and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this paragraph. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond

or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purpose of this paragraph, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series.

The District may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the preceding paragraph, to take effect when and as provided in this paragraph. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by Trustee, together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee), shall be mailed by the District to Bondholders and shall be published in the Authorized Newspapers at least once a week for two successive weeks (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as provided in this paragraph). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consents of Holders of the percentages of Outstanding Bonds specified in the preceding paragraph and (b) a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the District in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the District and enforceable in accordance with its terms, and (ii) a notice shall have been published as provided in this paragraph. Each such consent shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 12.02 of the Resolution. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and such proof is sufficient in accordance with Section 12.02 of the Resolution shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of the Trustee. Any such consent shall be binding upon the Holder of the Bonds giving such consent and, anything in Section 12.02 of the Resolution to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof) unless such consent is revoked in writing by the Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee provided for in this paragraph is filed, such revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by Section 12.02 of the Resolution. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the District and the Trustee a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as Supplemental Resolution adopted by the District on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this paragraph, may be given to Bondholders by the District by mailing such notice to Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in this paragraph) and by publishing the same in the Authorized Newspapers at least once not more than 90 days after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Trustee hereinabove provided for is filed. The District shall file with the Trustee proof of the publication of such notice and, if the same shall have been mailed to Bondholders, of the mailing thereof. A record, consisting of the papers required or permitted by this paragraph to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the District, the Fiduciaries and the Holders of all Bonds at the expiration of 40 days after the filing with the Trustee of the proof of the first publication of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such 40 day period; provided, however, that any Fiduciary and the District during such 40 day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

(Resolution, Sections 11.02 and 11.03).

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APPENDIX C — FORM OF BOND COUNSEL

[Date of Closing]

Board of Directors
Salt River Project Agricultural
Improvement and Power District
Tempe, Arizona 85281

Ladies and Gentlemen:

We have examined the Constitution and statutes of the State of Arizona, certified copies of the proceedings of the Board of Directors of the Salt River Project Agricultural Improvement and Power District (the "District") and other proofs submitted to us relative to the issuance and sale by the District, a body politic and corporate and political subdivision of the State of Arizona, of (i) $500,000,000 Salt River Project Electric System Revenue Bonds, 2010 Series A (Federally Taxable – Direct Payment – Build America Bonds) (the "2010 Series A Bonds") and (ii) $216,785,000 Salt River Project Electric System Revenue Bonds, 2010 Series B (the "2010 Series B Bonds," and together with the 2010 Series A Bonds, the "2010 Series Bonds").

The 2010 Series Bonds consist of bonds bearing interest at fixed rates. The 2010 Series Bonds are dated as shown on the inside front cover of the Official Statement dated September 30, 2010 relating to the 2010 Series Bonds, mature and bear interest at the times, in the manner and upon the terms provided therein and in the Resolutions (as hereinafter defined). The 2010 Series Bonds are subject to redemption prior to maturity as provided in the Resolutions.

We have also examined the form of said 2010 Series Bonds.

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the 2010 Series Bonds pursuant to the Constitution and statutes of the State of Arizona, including particularly Title 48, Chapter 17, Article 7, Arizona Revised Statutes, and other applicable provisions of law, and pursuant and subject to the provisions, terms and conditions of a resolution, dated as of September 10, 2001, which became effective January 11, 2003, entitled "Supplemental Resolution Authorizing an Amended and Restated Resolution Concerning Revenue Bonds" as amended and supplemented, a resolution dated as of September 13, 2010 entitled "Resolution Authorizing The Issuance and Sale of Not To Exceed $500,000,000 Salt River Project Electric System Revenue Bonds, 2010 Series A and Not To Exceed $750,000,000 Salt River Project Electric System Revenue Bonds, 2010 Series B of the Salt River Project Agricultural Improvement and Power District, and Providing for the Form, Details and Terms Thereof", as amended (collectively, the "Resolutions"), all duly adopted by the District and that the 2010 Series Bonds are valid and legally binding special obligations of the District.

We are further of the opinion that the District, in the Resolutions, has lawfully covenanted and is legally obligated to charge and collect, and revise from time to time whenever necessary, such fees and other charges for the sale of electric power and energy which will be sufficient in each year to pay the necessary expenses of operating and maintaining the District's electric system, the principal of and interest on the 2010 Series Bonds and all other indebtedness maturing and becoming due in such year, and all reserve or other payments required by the Resolutions in such year, subject to restrictions, if any, imposed by or on behalf of the United States of America, all in the manner provided in the Resolutions.

We are further of the opinion that the 2010 Series Bonds, and the outstanding Electric System Revenue Bonds heretofore issued pursuant to the Resolutions, as to principal or redemption price thereof and interest thereon are payable on a parity from and secured by a valid and equal pledge of the revenues of the District's electric system and other funds held or set aside under the Resolutions. Such pledge is subject and subordinate to the pledges and liens created by United States of America loan agreements hereafter entered into by the District, all in the manner provided in the Resolutions.

We are further of the opinion that the District may, within the terms, limitations and conditions contained in the Resolutions, issue pari passu additional Electric System Revenue Bonds payable from the revenues derived from the District's electric system, ranking equally as to lien on and source and security for payment from the revenues

derived from the District's electric system, with the 2010 Series Bonds and any pari passu additional Electric System Revenue Bonds heretofore or hereafter issued, all in the manner provided in the Resolutions.

We are further of the opinion that the District has validly entered into further covenants and agreements with the holders of the 2010 Series Bonds for the exact terms of which reference is made to the Resolutions.

The Internal Revenue Code of 1986, as amended (the "Code") sets forth certain requirements which must be met subsequent to the issuance and delivery of the 2010 Series B Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2010 Series B Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the 2010 Series B Bonds. The District has covenanted to comply with the provisions of the Code applicable to the 2010 Series B Bonds and has covenanted not to take any action or permit any action that would cause the interest on the 2010 Series B Bonds to be included in gross income under Section 103 of the Code. In addition, the District has made certain certifications and representations in the Tax Certificate. We have not independently verified the accuracy of those certifications and representations.

We are of the opinion that, under existing statutes and court decisions and assuming compliance with the tax covenants described herein, interest on the 2010 Series B Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest on the 2010 Series B Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations but is included in adjusted current earnings in calculating alternative minimum taxable income for purposes of the alternative minimum tax imposed under the Code on certain corporations.

Interest on the 2010 Series A Bonds is included in gross income of the owners thereof for federal income tax purposes.

We are also of the opinion that interest on the 2010 Series Bonds is exempt from income taxes imposed by the State of Arizona.

Except as stated in the preceding three paragraphs, we express no opinion as to any other Federal or state tax consequences of the ownership or disposition of the 2010 Series Bonds. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the 2010 Series Bonds, or the interest thereon, if any action is taken with respect to the 2010 Series Bonds or the proceeds thereof upon the advice or approval of other bond counsel.

Very truly yours,

APPENDIX D — FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

Between

SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT

and

U.S. BANK NATIONAL ASSOCIATION
as trustee

$500,000,000 Salt River Project Electric System Revenue Bonds, 2010 Series A
(Federally Taxable – Direct Payment – Build America Bonds)
$216,785,000 Salt River Project Electric System Revenue Bonds, 2010 Series B
(Tax-Exempt)

THIS CONTINUING DISCLOSURE AGREEMENT ("Agreement"), dated as of October 7, 2010 by and between the Salt River Project Agricultural Improvement and Power District (the "District"), an agricultural improvement district duly organized and existing under Title 48, Chapter 17 of the laws of the State of Arizona, A.R.S. sections 48-2301, *et seq.* (the "Act"), and U.S. Bank National Association, Phoenix, Arizona, as trustee (the "Trustee") for the (i) $500,000,000 Salt River Project Electric System Revenue Bonds, 2010 Series A (Federally Taxable – Direct Payment – Build America Bonds) (the "2010 Series A Bonds") and (ii) $216,785,000 Salt River Project Electric System Revenue Bonds, 2010 Series B (the "2010 Series B Bonds," and together with the 2010 Series A Bonds, the "Bonds") to be issued by the District;

W I T N E S S E T H:

WHEREAS, the District intends to issue the Bonds under and pursuant to (i) the Act and (ii) the District's Supplemental Resolution, dated as of September 10, 2001 Authorizing an Amended and Restated Resolution Concerning Revenue Bonds, which became effective January 11, 2003, as amended and supplemented, (the "Resolution").

WHEREAS, on November 10, 1994 the Securities and Exchange Commission (the "Commission") adopted Release Number 34-34961 (the "Release"), which amended Rule 15c2-12 ("Rule 15c2-12"), originally adopted by the Commission on June 28, 1989;

WHEREAS, Rule 15c2-12 requires that prior to acting as a broker, dealer or municipal securities dealer (the "Participating Underwriter") for the Bonds, a Participating Underwriter must comply with the provisions of Rule 15c2-12;

WHEREAS, Rule 15c2-12 further provides, among other things, that a Participating Underwriter shall not purchase or sell the District's Bonds unless the Participating Underwriter has reasonably determined that the District and any "obligated person" (within the meaning of Rule 15c2-12, as amended) have undertaken, either individually or in combination with others, in a written agreement for the benefit of Bondholders, to provide certain information relating to the District, any "obligated person" and the Bonds, to the Repositories described herein below;

WHEREAS, this Agreement is being executed and delivered by the District and the Trustee for the benefit of the Bondholders, the Beneficial Owners of the Bonds and the Trustee in order to comply with Rule 15c2-12 issued by the Commission;

WHEREAS, the District hereby agrees to provide the information described herein below with respect to itself;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the District and the Trustee agree as follows:

Section 1. Definitions

"Association" shall mean the Salt River Valley Water Users' Association, predecessor to the District, duly incorporated February 9, 1903 under the laws of the Territory of Arizona.

"Annual Financial Information" shall mean the information specified in Section 3 hereof.

"Audited Financial Statements" shall mean the annual financial statement specified in Section 4 hereof.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Bondholder" or "Holder" shall mean any registered owner of Bonds and any Beneficial Owner of Bonds who provides evidence satisfactory to the Trustee of such status.

"EMMA" shall mean the Electronic Municipal Market Access system operated by the MSRB for municipal securities disclosures.

"Independent Accountant" shall mean, with respect to the District, any firm of certified public accountants appointed by the District.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Official Statement" shall mean the Official Statement of the District, dated September 30, 2010, relating to the issuance of the Bonds.

"Rule 15c2-12" shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Agreement.

"State" shall mean the State of Arizona.

Capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Resolution.

Section 2. Obligation to Provide Continuing Disclosure

The District hereby undertakes for the benefit of the Holders of the Bonds to provide:

A. to EMMA in an electronic format, accompanied by identifying information, in accordance with the rules and procedures set forth from time to time by the MSRB, no later than 180 days after the end of each fiscal year, commencing with the fiscal year ending April 30, 2011:

1. the Annual Financial Information relating to such fiscal year together with the Audited Financial Statements for such fiscal year if audited financial statements are then available; provided, however, that if Audited Financial Statements are not then available, the unaudited financial statements of the District, which may be combined with the financial information of the Association, shall be submitted with the Annual Financial Information and the Audited Financial Statements shall be delivered to EMMA in accordance with the rules and procedures set forth from time to time by the MSRB, when they become available (but in no event later than 350 days after the end of such fiscal year); or

2. notice to EMMA in accordance with the rules and procedures set forth from time to time by the MSRB, of the District's failure, if any, to provide any of the information described in Section A.1. hereinabove;

B. to EMMA in an electronic format, accompanied by identifying information, in accordance with the rules and procedures set forth from time to time by the MSRB, in a timely manner, notice of any of the following events with respect to the Bonds, if material:

1. any Event of Default resulting from principal and interest payment delinquencies on the Bonds;
2. any non-payment related Event of Default;
3. unscheduled draws on the Debt Reserve Account under the Resolution reflecting financial difficulties;
4. unscheduled draws on credit enhancements, if any, reflecting financial difficulties under the Resolution;
5. substitution of credit or liquidity providers, if any, or their failure to perform;
6. adverse tax opinions or events affecting the tax-exempt status of the Bonds;
7. amendments of or modifications to the rights of Bondholders;
8. giving of notice of redemption of Bonds (which does not include regularly scheduled or mandatory sinking fund redemptions effectuated in accordance with the Resolution);
9. defeasance of the Bonds;
10. release, substitution, or sale of property, if any, securing repayment of the Bonds; and
11. rating changes on the Bonds.

The Trustee shall notify the District upon the occurrence of any of the eleven events listed in this Section 2.B. promptly upon becoming aware of the occurrence of any such event. The Trustee shall not be deemed to have become aware of the occurrence of any such event unless an officer in its corporate trust department actually becomes aware of the occurrence of any such event. The District shall notify the Trustee upon the transmittal of any such information.

Nothing in this Agreement shall prevent the District from disseminating any information in addition to that required hereunder. If the District disseminates any such additional information, nothing herein shall obligate the District to update such information or include it in any future materials disseminated.

Section 3. Annual Financial Information

Annual Financial Information shall include updated financial and operating information, in each case updated through the last day of the District's prior fiscal year unless otherwise noted, relating to the following information contained in the Official Statement:

(i) information as to any changes in the District's projected peak loads and resources in substantially the same level of detail as found in Table 2 under the heading "Projected Peak Loads and Resources";

(ii) an update of the information listing District power sources and participation interests in power generating facilities in substantially the same level of detail found in Table 3 and Table 4 under the heading "Existing and Future Resources";

(iii) information as to any changes or proposed changes in the electric prices charged by the District in substantially the same level of detail as found under the heading "Electric Prices";

(iv) an update of the information relating to customer base and classification, electric power sales, and the District's revenues and expenses in substantially the same level of detail found in Table 7 and Table 8 under the heading "Customers, Sales, Revenues and Expenses";

(v) (a) an update summarizing the contractual payment obligations of the District on behalf of other political subdivisions which obligations secure debt service on bonds, other than bonds issued by the District, in substantially the same level of detail as found under the heading "Customers, Sales, Revenues and Expenses – Contractual Obligations Relating to Bonds of Other Political Subdivisions" and (b) a statement of any default in the payment of such obligations;

(vi) (a) information as to the authorization or issuance by the District of any notes, other obligations, or parity indebtedness in substantially the same level of detail as found under the heading "Additional Financial Matters" and (b) a statement of any default under such notes, or parity indebtedness;

(vii) (a) information as to the outstanding balances and required debt service on any United States Government Loans and (b) a statement of any default with respect to such loans;

(viii) (a) an update summarizing the District's discussions of operations in substantially the same level of detail as found under the heading "Additional Financial Matters," if at all, or (b) an annual report;

(ix) (a) an update of the balance in the Debt Reserve Account and (b) an update of all information relating to actual debt service requirements and coverages for outstanding revenue bonds and other prior and parity debt obligations in substantially the same level of detail as found in Tables 9 and 10 under the heading "SELECTED OPERATIONAL AND FINANCIAL DATA – Additional Financial Matters – Outstanding Revenue Bond Long-Term Indebtedness"; and

(x) such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and operating data concerning, and in judging the financial condition of, the District.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements pertaining to debt issued by the District, which have been submitted to EMMA in accordance with the rules and procedures set forth from time to time by the MSRB. If the document incorporated by reference is a final official statement (within the meaning of Rule 15c2-12), it must also be available from the MSRB. The District shall clearly identify each such other document so incorporated by reference. It is sufficient for the purposes of Rule 15c2-12 and this Agreement that the Annual Financial Information to be provided pursuant to Section 2.A. and Section 3 hereof be submitted to EMMA in accordance with the rules and procedures set forth from time to time by the MSRB no more than once annually.

The requirements contained in this Section 3 are intended to set forth a general description of the type of financial information and operating data to be provided; such descriptions are not intended to state more than general categories of financial information and operating data; and where the provisions of this Section 3 call for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided.

Section 4. Financial Statements

The District's annual financial statements for each fiscal year shall be prepared in accordance with generally accepted accounting principles in effect from time to time. Such financial statements shall be audited by an Independent Accountant. The annual financial statements are presented on a combined basis including the financial information of both the District and the Association. All or any portion of audited or unaudited financial statements may be incorporated by specific reference to any other documents which have been filed with EMMA in accordance with the rules and procedures set forth from time to time by the MSRB; **provided, however**, that if the document is an official statement, it shall have been filed with the MSRB and need not have been filed elsewhere.

Section 5. Remedies

If the District shall fail to comply with any provision of this Agreement, then the Trustee or any Holder may, but shall not be obligated to, enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Agreement against the District and any of the officers, agents and employees of the District, and may compel the District or any such officers, agents or employees to perform and

carry out their duties under this Agreement; **provided, however**, that the sole remedy hereunder shall be limited to an action to compel specific performance of the obligations of the District hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances; **provided, further**, that any challenge to the adequacy of any information provided pursuant to Section 2 shall be brought only by the Trustee or the Holders of 25% of the aggregate principal amount of the Bonds then outstanding which are affected thereby. Failure to comply with any provision of this Agreement shall not constitute an Event of Default under the Resolution.

Section 6. Parties in Interest

This Agreement is executed and delivered for the sole benefit of the Holders, the Beneficial Owners and the Trustee. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 7. Termination

This Agreement shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Bonds shall have been paid in full or legally defeased pursuant to the Resolution (a "Legal Defeasance"); **provided, however**, that if Rule 15c2-12 (or successor provision) shall be amended, modified or changed so that all or any part of the information currently required to be provided thereunder shall no longer be required to be provided thereunder, then this Agreement shall be amended to provide that such information shall no longer be required to be provided hereunder; and **provided, further**, that if and to the extent Rule 15c2-12 (or successor provision), or any provision thereof, shall be declared by a court of competent and final jurisdiction to be, in whole or in part, invalid, unconstitutional, null and void or otherwise inapplicable to the Bonds, then the information required to be provided hereunder, insofar as it was required to be provided by a provision of Rule 15c2-12 so declared, shall no longer be required to be provided hereunder. Upon any Legal Defeasance, the District shall provide notice of such defeasance to EMMA in accordance with the rules and procedures set forth from time to time by the MSRB. Such notice shall state whether the Bonds have been defeased to maturity or to redemption and the timing of such maturity or redemption. Upon any other termination pursuant to this Section 7, the District shall provide notice of such termination to each EMMA in accordance with the rules and procedures set forth from time to time by the MSRB.

Section 8. Amendment; Change; Modification

Without the consent of any Holders (except to the extent expressly provided below), the District and the Trustee at any time and from time to time may enter into any amendments or changes to this Agreement for any of the following purposes:

(i) to comply with or conform to Rule 15c2-12 or any amendments thereto or authoritative interpretations thereof by the Commission or its staff (whether required or optional) which are applicable to this Agreement;

(ii) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

(iii) to evidence the succession of another person to the District and the assumption by any such successor of the covenants of the District hereunder;

(iv) to add to the covenants of the District for the benefit of the Holders, or to surrender any right or power herein conferred upon the District; or

(v) for any other purpose as a result of a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the District, or type of business conducted; provided that (1) this Agreement, as amended, would have complied with the requirements of Rule 15c2-12 at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of Rule 15c2-12, as well as any change in circumstances, (2) the amendment or change either (a) does not materially impair the interest of Holders, as determined by bond counsel, or the interest of the Trustee or (b) is approved by the vote or consent of Holders of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment or change and (3) the Trustee receives an opinion of bond counsel that such amendment is authorized or permitted by this Agreement.

The Annual Financial Information for any fiscal year containing any amendment to the operating data or financial information for such fiscal year shall explain, in narrative form, the reasons for such amendment and the impact of the change on the type of operating data or financial information in the Annual Financial Information being provided for such fiscal year. If a change in accounting principles is included in any such amendment, such Annual Financial Information, respectively, shall present a comparison between the financial statements or information prepared on the basis of the amended accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. To the extent reasonably feasible such comparison shall also be quantitative. A notice of any such change in accounting principles shall be sent to EMMA in accordance with the rules and procedures set forth from time to time by the MSRB.

Section 9. Duties of the Trustee

A. The duties of the Trustee under this Agreement shall be limited to those expressly assigned to it hereunder. The District agrees to indemnify and save harmless the Trustee and its officers, directors, employees and agents, for, from and against any loss, expense and liabilities that it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Trustee's gross negligence or willful misconduct. The obligations of the District under this Section 9 shall survive resignation or removal of the Trustee, payment of the Bonds or termination of this Agreement.

B. No earlier than one day, nor later than 30 days, following the end of each fiscal year of the District (ending April 30, unless the District notifies the Trustee otherwise) the Trustee will notify the District of its obligation to provide the Annual Financial Information in the time and manner described herein; provided, however, that any failure by the Trustee to notify the District under this Section 9.B shall not affect the District's obligation hereunder, and the Trustee shall not be responsible in any way for such failure.

C. The Trustee shall be under no obligation to report any information to EMMA or any Holder. If an officer of the Trustee obtains actual knowledge of the occurrence of an event described in Section 2.B.1. through 2.B.11 hereunder, whether or not such event is material, the Trustee will notify the District of such occurrence; provided, however, that any failure by the Trustee to notify the District under this Section 9.C. shall not affect the District's obligation hereunder, and the Trustee shall not be responsible in any way for such failure.

Section 10. Governing Law

THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE DETERMINED WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAW, AND THE LAWS OF THE UNITED STATES OF AMERICA, AS APPLICABLE. Any action for enforcement of this Agreement shall be taken in a state or federal court, as appropriate, located in Maricopa County, Arizona. To the fullest extent permitted by law, the District and the Trustee each hereby irrevocably waives any and all rights to a trial by jury, and covenants and agrees that it will not request a trial by jury, with respect to any legal proceeding arising out of or relating to this Agreement.

Section 11. No Previous Non-Compliance

The District represents that it has previously entered into written contracts or agreements of the type referenced in paragraph (b)(5)(i) of Rule 15c2-12 in relation to certain of its outstanding obligations, and is in compliance with such agreements.

Section 12. Counterparts

This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the date first above written.

SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT

By: _____
Dean R. Duncan
Corporate Treasurer

U.S. BANK NATIONAL ASSOCIATION
as Trustee

By: _____

Name: _____

Title: _____

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APPENDIX E — BOOK-ENTRY ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, acts as securities depository for the 2010 Series Bonds. Reference to the 2010 Series Bonds under the caption "Book-Entry Only System" shall mean all 2010 Series Bonds held through DTC. The 2010 Series Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the 2010 Series Bonds, each in the aggregate principal amount of such maturity. Purchasers may own beneficial ownership interests in the 2010 Series Bonds in the United States through DTC and in Europe through Clearstream Banking, societe anonyme ("Clearstream"), or the Euroclear System ("Euroclear").

DTC 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, 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, thereby eliminating 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 Securities 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 both U.S. and non-U.S. securities brokers and dealers, bank trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission.

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

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to 2010 Series Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures,

DTC mails an omnibus proxy (the "Omnibus Proxy") to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2010 Series Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption notices will be sent to DTC.

Payment of redemption proceeds and principal and interest on the 2010 Series 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 on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

The services of DTC as securities depository with respect to the 2010 Series Bonds may be discontinued at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor securities depository is not obtained, 2010 Series 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.

No assurance can be given by the District that DTC will make prompt transfer of payments to the Participants or that Participants will make prompt transfer of payments to Beneficial Owners. The District is not responsible or liable for payment by DTC or Participants or for sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC or Participants.

For every transfer and exchange of the 2010 Series Bonds, the Beneficial Owners may be charged a sum sufficient to cover any tax, fee or other charge that may be imposed in relation thereto.

Unless otherwise noted, certain of the information contained under this caption "Book-Entry Only System and Global Clearance Procedures" has been extracted from information furnished by DTC. The District does not make any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

Global Clearance Procedures

The 2010 Series Bonds initially will be registered in the name of Cede & Co. as registered owner and nominee for DTC, which will act as securities depository for the 2010 Series Bonds. Purchases of the 2010 Series Bonds will be in book-entry form only. Clearstream and Euroclear may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and/or Euroclear's names on the books of their respective U.S. Depositories, which, in turn, hold such positions in customers' securities accounts in the U.S. Depositories' names on the books of DTC. Citibank, N.A. acts as the U.S. Depository for Clearstream and JPMorgan Chase Bank acts as the U.S. Depository for Euroclear.

Clearstream

Clearstream Banking, societe anonyme, 42 Avenue J.F. Kennedy, L-1855 Luxembourg ("Clearstream, Luxembourg") is successor in name to Cedel Bank, S.A. Clearstream, Luxembourg is a wholly-owned subsidiary of Clearstream International S.A. On 1 January 1995, Clearstream, Luxembourg was granted a banking license in Luxembourg.

Clearstream International S.A., which is domiciled in Luxembourg, is as from June 2009, 51% owned by Clearstream Holding AG and 49% owned by Deutsche B6rse AG ("DBAG").

Clearstream Holding AG is domiciled in Germany and wholly owned by DBAG.

DBAG is a publicly held company organized under German law and traded on the Frankfurt Stock Exchange.

Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg customers through electronic book-entry changes in accounts of Clearstream, Luxembourg customers, thereby eliminating the need for physical movement of certificates. Clearstream, Luxembourg provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also deals with domestic securities markets in many countries through established depository and custodial relationships.

Clearstream, Luxembourg is registered as a bank in Luxembourg, and as such is subject to regulation by the Commission de Surveillance du Secteur Financier ("CSSF"), which supervises Luxembourg banks. Since 12 February 2001, Clearstream, Luxembourg has also been supervised by the Central Bank of Luxembourg according to the Settlement Finality Directive Implementation of 12 January 2001, following the official notification to the regulators of the Clearstream, Luxembourg's role as a payment system provider operating a securities settlement system. Clearstream, Luxembourg's customers are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of Clearstream, Luxembourg. Clearstream, Luxembourg has established an electronic bridge with Euroclear Bank S.A./N.V. as the Operator of the Euroclear System (the "Euroclear Operator") in Brussels to facilitate settlement of trades between Clearstream, Luxembourg and the Euroclear Operator.

Euroclear

Euroclear Bank S.A./N.V. ("Euroclear Bank") holds securities and book-entry interests in securities for participating organizations and facilitates the clearance and settlement of securities transactions between Participants, as defined in the Terms and Conditions Governing Use of Euroclear as amended from time to time (the "Terms and Conditions"), and between Euroclear Participants and Participants of certain other securities intermediaries through electronic book-entry changes in accounts of such Participants or other securities intermediaries. Euroclear Bank provides Euroclear Participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear Participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations. Certain of the managers or underwriters for this offering, or other financial entities involved in this offering, may be Euroclear Participants. Non-Participants in the Euroclear System may hold and transfer book-entry interests in the securities through accounts with a Participant in the Euroclear System or any other securities intermediary that holds a book-entry interest in the securities through one or more securities intermediaries standing between such other securities intermediary and Euroclear Bank.

Clearance and Settlement. Although Euroclear Bank has agreed to the procedures provided below in order to facilitate transfers of securities among Participants in the Euroclear System, and between Euroclear Participants and Participants of other intermediaries, it is under no obligation to perform or continue to perform such procedures and such procedures may be modified or discontinued at any time.

Initial Distribution. Investors electing to acquire securities through an account with Euroclear Bank or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of new issues of securities. Securities to be acquired against payment through an account with Euroclear Bank will be credited to the securities clearance accounts of the respective Euroclear Participants in the securities processing cycle for the business day following the settlement date for value as of the settlement date, if against payment.

Secondary Market. Investors electing to acquire, hold or transfer securities through an account with Euroclear Bank or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of secondary market transactions in securities. Euroclear Bank will not monitor or enforce any transfer restrictions with respect to the securities offered herein.

Custody. Investors who are Participants in the Euroclear System may acquire, hold or transfer interests in the securities by book-entry to accounts with Euroclear Bank. Investors who are not Participants in the Euroclear System may acquire, hold or transfer interests in the securities by book-entry to accounts with a securities intermediary who holds a book-entry interest in the securities through accounts with Euroclear Bank.

Custody Risk. Investors that acquire, hold and transfer interests in the securities by book-entry through accounts with Euroclear Bank or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such an intermediary and each other intermediary, if any, standing between themselves and the individual securities.

Euroclear Bank has advised as follows:

Under Belgian law, investors that are credited with securities on the records of Euroclear Bank have a co-property right in the fungible pool of interests in securities on deposit with Euroclear Bank in an amount equal to the amount of interests in securities credited to their accounts. In the event of the insolvency of Euroclear Bank, Euroclear Participants would have a right under Belgian law to the return of the amount and type of interests in securities credited to their accounts with Euroclear Bank. If Euroclear Bank did not have a sufficient amount of interests in securities on deposit of a particular type to cover the claims of all Participants credited with such interests in securities on Euroclear Bank's records, all Participants having an amount of interests in securities of such type credited to their accounts with Euroclear Bank would have the right under Belgian law to the return of their pro rata share of the amount of interests in securities actually on deposit.

Under Belgian law, Euroclear Bank is required to pass on the benefits of ownership in any interests in securities on deposit with it (such as dividends, voting rights and other entitlements) to any person credited with such interests in securities on its records.

Initial Settlement; Distributions; Actions on Behalf of the Owners. All of the 2010 Series Bonds will initially be registered in the name of Cede & Co., the nominee of DTC. Clearstream and Euroclear may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and/or Euroclear's names on the books of their respective U.S. Depository, which, in turn, holds such positions in customers' securities accounts in its U.S. Depository's name on the books of DTC. Citibank, N.A. acts as depository for Clearstream and JPMorgan Chase Bank acts as depository for Euroclear (the "U.S. Depositories"). Holders of the 2010 Series Bonds may hold their 2010 Series Bonds through DTC (in the United States) or Clearstream or Euroclear (in Europe) if they are participants of such systems, or directly through organizations that are participants in such systems. Investors electing to hold their 2010 Series Bonds through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional EuroBonds in registered form. Securities will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Distributions with respect to the 2010 Series Bonds held beneficially through Clearstream will be credited to the cash accounts of Clearstream customers in accordance with its rules and procedures, to the extent received by its U.S. Depository. Distributions with respect to the 2010 Series Bonds held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Terms and Conditions, to the extent received by its U.S. Depository. Such distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations.

Clearstream or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by an owner of the 2010 Series Bonds on behalf of a Clearstream customer or Euroclear Participant only in accordance with the relevant rules and procedures and subject to the U.S. Depository's ability to effect such actions on its behalf through DTC.

Procedures May Change. Although DTC, Clearstream and Euroclear have agreed to these procedures in order to facilitate transfers of securities among DTC and its Participants, Clearstream and Euroclear, they are under no obligation to perform or continue to perform these procedures and these procedures may be discontinued and may be changed at any time by any of them.

Secondary Market Trading. Secondary market trading between Participants (other than U S. Depositories) will be settled using the procedures applicable to U.S. corporate debt obligations in same-day funds. Secondary market trading between Euroclear Participants and/or Clearstream customers will be settled using the procedures applicable to conventional EuroBonds in same-day funds. When securities are to be transferred from the account of a Participant (other than U.S. Depositories) to the account of a Euroclear Participant or a Clearstream customer, the purchaser must send instructions to the applicable U.S. Depository one business day before the settlement date. Euroclear or Clearstream, as the case may be, will instruct its U.S. Depository to receive securities against payment. Its U.S. Depository will then make payment to the Participant's account against delivery of the securities. After settlement has been completed, the securities will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Euroclear Participant's or Clearstream customers' accounts. Credit for the securities will appear on the next day (European time) and cash debit will be back-valued to, and the interest on the 2010 Series Bonds will accrue from the value date (which would be the preceding day when settlement occurs in New York). If settlement is not completed on the intended value date (i.e., the trade fails), the Euroclear or Clearstream cash debit will be valued instead as of the actual settlement date.

Euroclear Participants and Clearstream customers will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Euroclear or Clearstream. Under this approach, they may take on credit exposure to Euroclear or Clearstream until the securities are credited to their accounts one day later. As an alternative, if Euroclear or Clearstream has extended a line of credit to them, participants/customers can elect not to pre-position funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear Participants or Clearstream customers purchasing securities would incur overdraft charges for one day, assuming they cleared the overdraft when the securities were credited to their accounts. However, interest on the securities would accrue from the value date. Therefore, in many cases, the investment income on securities earned during that one day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's/customer's particular cost of funds. Because the settlement is taking place during New York business hours, Participants can employ their usual procedures for sending securities to the applicable U.S. Depository for the benefit of Euroclear Participants or Clearstream customers. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the participant, a cross-market transaction will settle no differently from a trade between two participants.

Due to time zone differences in their favor, Euroclear Participants and Clearstream customers may employ their customary procedure for transactions in which securities are to be transferred by the respective clearing system, through the applicable U.S. Depository to another participant's. In these cases, Euroclear will instruct its U.S. Depository to credit the securities to the participant's account against payment. The payment will then be reflected in the account of the Euroclear Participant or Clearstream customer the following business day, and receipt of the cash proceeds in the Euroclear Participant's or Clearstream customers' accounts will be back valued to the value date (which would be the preceding day, when settlement occurs in New York). If the Euroclear Participant or Clearstream customer has a line of credit with its respective clearing system and elects to draw on such line of credit in anticipation of receipt of the sale proceeds in its account, the back-valuation may substantially reduce or offset any overdraft charges incurred over that one day period.

If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Euroclear Participant's or Clearstream customer's accounts would instead be valued as of the actual settlement date.

THE DISTRICT AND TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE 2010 SERIES BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE 2010 SERIES BONDS (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE 2010 SERIES BONDS OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS

PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE 2010 SERIES BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE DISTRICT AND TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR, EUROCLEAR PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR PARTICIPANTS; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE 2010 SERIES BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE CERTIFICATE; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE 2010 SERIES BONDS.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC, CLEARSTREAM AND EUROCLEAR AND THEIR BOOK-ENTRY SYSTEMS HAS BEEN OBTAINED FROM DTC, CLEARSTREAM AND EUROCLEAR, RESPECTIVELY, AND THE DISTRICT MAKES NO REPRESENTATION AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

APPENDIX F — THE REFUNDED BONDS

The actual Bonds that will comprise the Refunded Bonds will be determined by the District at the time of sale of the Series 2010 Bonds, based upon then prevailing market conditions. The following is a list of the Bonds the District is currently considering refunding.

Series	Maturity Date	Interest Rate	Par Amount Refunded	Call Date	Call Price	Original CUSIP	Portion of Maturity Refunded
1997 Series A	01/01/2018*	5.125%	$ 1,795,000	11/01/2010	100%	79575DJY7	Full
	01/01/2018*	5.000%	6,490,000	11/01/2010	100%	79575DJZ4	Full
	01/01/2019*	5.000%	16,065,000	11/01/2010	100%	79575DJZ4	Full
	01/01/2020*	5.000%	11,800,000	11/01/2010	100%	79575DJZ4	Full
		Subtotal	***$ 36,150,000***				
2002 Series A	01/01/2015	4.600%	85,000	01/01/2012	101%	79575DLR9	Partial
	01/01/2015	5.250%	$ 9,845,000	01/01/2012	101%	79575DLS7	Partial
	01/01/2016	4.750%	185,000	01/01/2012	101%	79575DLT5	Partial
	01/01/2017	5.250%	970,000	01/01/2012	101%	79575DLU2	Partial
	01/01/2018	5.250%	7,370,000	01/01/2012	101%	79575DLV0	Partial
	01/01/2019	4.875%	125,000	01/01/2012	101%	79575DLW8	Partial
	01/01/2019	5.250%	11,540,000	01/01/2012	101%	79575DLX6	Partial
	01/01/2020	5.250%	1,415,000	01/01/2012	101%	79575DLY4	Partial
	01/01/2021	5.000%	5,835,000	01/01/2012	101%	79575DLZ1	Partial
	01/01/2022	5.000%	1,915,000	01/01/2012	101%	79575DMA5	Partial
	01/01/2023	5.125%	3,400,000	01/01/2012	101%	79575DMC1	Partial
	01/01/2023	5.000%	11,485,000	01/01/2012	101%	79575DMB3	Partial
	01/01/2026*	5.125%	16,075,000	01/01/2012	101%	79575DMD9	Partial
	01/01/2027*	5.125%	4,680,000	01/01/2012	101%	79575DMD9	Partial
	01/01/2027*	5.000%	9,500,000	01/01/2012	101%	79575DME7	Partial
	01/01/2028*	5.000%	12,780,000	01/01/2012	101%	79575DME7	Partial
		Subtotal	***$ 97,205,000***				
2002 Series B	01/01/2017	5.000%	18,185,000	01/01/2013	100%	79575DPB0	Full
	01/01/2020	5.000%	28,495,000	01/01/2013	100%	79575DPC8	Full
	01/01/2021	5.000%	21,960,000	01/01/2013	100%	79575DPD6	Full
	01/01/2022	5.000%	32,960,000	01/01/2013	100%	79575DPE4	Full
		Subtotal	***$ 101,600,000***				
		Total	***$ 234,955,000***				

* Sinking Fund

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Delivering More Than Power.™

Electric System Revenue, Build America Bonds, 2010 Series A

Electric System Revenue Bonds, 2010 Series B

October 22, 2010

Public Financial Management, Inc.
11325 N. Community House Rd
Suite 160
Charlotte, NC 28216
www.pfm.com

PFM

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E. Pricing Comparables

- Build America Bonds
- Tax-Exempt
- Secondary Market Transactions

I. Report of the Independent Financial Advisor

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Report of the Independent Financial Advisor
Regarding the Issuance of

Delivering More Than Power.™

$500,000,000 Electric System Revenue, Build America Bonds, 2010 Series A
(Federally Taxable)

$216,785,000 Electric System Revenue Bonds, 2010 Series B
(Tax-Exempt)

September 30, 2010

Introduction

This report is intended to summarize the plan of finance, market conditions and credit factors related to the issuance by Salt River Project Agricultural Improvement and Power District ("SRP") of $500,000,000 Electric System Revenue, Build America Bonds (the "2010 Series A Build America Bonds") and $216,785,000 Electric System Revenue, Tax Exempt Bonds (the "2010 Series B Tax-Exempt Bonds"). This report was prepared to assist SRP in formulating an informed decision with respect to the acceptability of the Bond Purchase Agreement it entered into with Morgan Stanley & Co. Incorporated, J.P. Morgan Securities Inc., Bank of America Merrill Lynch, Citigroup, Goldman Sachs and Ramirez & Co. Inc. (collectively, the "Underwriters"). This report also serves as the basis for the formal recommendation from Public Financial Management, Inc. ("PFM"), the independent Financial Advisor to SRP with respect to the sale of the 2010 Series A Build America Bonds and 2010 Series B Tax-Exempt Bonds.

Plan of Finance

2010 Series A Build America Bonds:
SRP intends to designate the 2010 Series A Bonds as Build America Bonds and apply for Interest Subsidy Payments from the United States Treasury under the Build America Bond program.

Purpose: The 2010 Series A Build America Bonds are being issued to (i) finance capital improvements and (ii) pay costs associated with the issuance of the 2010 Series A Build America Bonds.

Sources and Uses of Funds: The sources and uses of funds in connection with the issuance of the 2010 Series A Build America Bonds are as follows:

	2010 Series A
Sources of Funds:	
Par Amount	500,000,000
Total Sources	500,000,000
Uses of Funds:	
Deposit to Construction Fund	358,711,927
Deposit to District General Fund	138,133,000
Underwriter's Discount	2,635,416
Cost of Issuance	519,657
	500,000,000

Structure:

In February 2009, as part of the American Recovery and Reinvestment Act of 2009, the United States Congress added provisions to the Internal Revenue Code of 1986 (the "Code") that permit state or local governments to obtain certain tax advantages when bonds are issued as "Build America Bonds" or "BABs". Interest on BABs is not excluded from gross income for purposes of Federal income taxation. Under the Code, an issuer of a Build America Bond may apply to receive payments ("Interest Subsidy Payments") directly from the United States Treasury. The amount of an Interest Subsidy Payment is equal to 35% of the corresponding interest payable on the related Build America Bond.

The Series 2010 A Bond was designated a Build America Bond, and as such, entitles SRP to receive cash subsidy payments, from the U.S. Treasury, rebating 35 percent of the interest payable on the Series 2010 A Bond.

The 2010 Series A Build America Bonds will initially be dated the date of delivery, October 7, 2010. Interest on the bonds will be payable on January 1, 2011, and semiannually thereafter on each January 1 and June 1. The 2010 Series A Build America Bonds were structured as a term bond with a final maturity of January 1, 2041 and is subject to mandatory sinking fund redemptions as described in this memorandum.

Redemption Provisions:

Make-Whole Optional Redemption

The 2010 Series A Build America Bonds will be subject to redemption prior to their stated maturities, at the option of SRP, on any date from any source of available funds, as a whole or in part, at the "Make-Whole Redemption Price."

The Make-Whole Redemption Price is equal to the greater of: (i) 100% of the principal amount of such 2010 A Build America Bonds of such maturity to be redeemed; or (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the 2010 Series A Build America Bonds to be redeemed to the maturity date of such 2010 Series A Build America Bonds, at the comparable Treasury Rate plus 20 basis points.

Extraordinary Optional Redemption
The 2010 Series A Build America Bonds also will be subject to extraordinary optional redemption prior to their stated maturities, at the option of SRP, upon the occurrence of an Extraordinary Event from any source of available funds, as a whole or in part, at the "Extraordinary Optional Redemption Price."

The Extraordinary Optional Redemption Price is equal to the greater of: (i) the issue price of the 2010 Series A Build America Bonds (but not less than 100% of the principal amount of the 2010 Series A Build America Bonds to be redeemed); or (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the 2010 Series A Build America Bonds to be redeemed to the maturity date of such 2010 Series A Build America Bonds, at the Treasury Rate plus 100 basis points.

An "Extraordinary Event" will have occurred if SRP determines that a material adverse change has occurred to Section 54AA or 6431 of the Code, or there is any guidance published by the Internal Revenue Service or the United States Treasury with respect to such Sections or any other determination by the Internal Revenue Service or the United States Treasury, which determination is not the result of an act or omission by SRP to satisfy the requirements to receive the 35% cash subsidy payment from the United States Treasury, pursuant to which SRP's 35% cash subsidy payment from the United States Treasury is reduced or eliminated.

Mandatory Redemption
The 2010 Series A Build America Bonds are subject to mandatory redemption prior to their stated maturity, in part, from minimum sinking fund payments at the principal amount thereof together with the accrued interest thereon to the date fixed for redemption, without premium, as shown below:

Sinking Fund Payment date:	Principal Amount:
2040	189,385,000
2041*	310,615,000

* Final Maturity

2010 Series B Tax-Exempt Bonds:
Purpose: The 2010 Series B Tax-Exempt Bonds are being issued to (i) refund certain outstanding revenue bonds (ii) finance capital improvements and (iii) pay costs associated with issuing the 2010 Series B Tax-Exempt Bonds.

Sources and Uses of Funds
The sources and uses of funds in connection with the issuance of the 2010 Series B Tax-Exempt Bonds are as follows:

	2010 Series B
Sources of Funds:	
Par Amount	216,785,000
Equity Contribution	764,076
Original Issue Premium	38,857,022
Total Sources	256,406,098
Uses of Funds:	
Refunding Escrow Deposits	255,150,344
Underwriter's Discount	1,021,958
Cost of Issuance	230,343
Additional Proceeds	3,453
	256,406,098

Structure

The 2010 Series B Tax-Exempt Bonds will be issued in the principal amount of $216,785,000 and will be dated the date of delivery, October 7, 2010. Interest on the 2010 Series B Tax-Exempt Bonds will be payable on June 1 and December 1of each year, commencing on December 1, 2010. The 2010 Series B Tax-Exempt Bonds mature serially from December 1, 2014 through December 1, 2027, excluding December 1, 2015, 2023 and 2024.

Refunded Bonds
The following bonds will be refunded:

Bond	Maturity	Coupon	Par Aount	Call Date	Portion of Maturity Refunded	Call Price
Electric System Refunding Revenue Bonds (1997A)						
	1/1/2018	5.125%	1,795,000	11/1/2010	Full	100.0
	1/1/2018	5.000%	6,490,000	11/1/2010	Full	100.0
	1/1/2019	5.000%	16,065,000	11/1/2010	Full	100.0
	1/1/2020	5.000%	11,800,000	11/1/2010	Full	100.0
			36,150,000			
Electric System Refunding Revenue Bonds (2002A)						
	1/1/2015	4.600%	85,000	1/1/2012	Partial	101.0
	1/1/2015	5.250%	9,845,000	1/1/2012	Partial	101.0
	1/1/2016	4.750%	185,000	1/1/2012	Partial	101.0
	1/1/2017	5.250%	970,000	1/1/2012	Partial	101.0
	1/1/2018	5.250%	7,370,000	1/1/2012	Partial	101.0
	1/1/2019	4.875%	125,000	1/1/2012	Partial	101.0
	1/1/2019	5.250%	11,540,000	1/1/2012	Partial	101.0
	1/1/2020	5.250%	1,415,000	1/1/2012	Partial	101.0
	1/1/2021	5.000%	5,835,000	1/1/2012	Partial	101.0
	1/1/2022	5.000%	1,915,000	1/1/2012	Partial	101.0
	1/1/2023	5.125%	3,400,000	1/1/2012	Partial	101.0
	1/1/2023	5.000%	11,485,000	1/1/2012	Partial	101.0
	1/1/2026	5.125%	16,075,000	1/1/2012	Partial	101.0
	1/1/2027	5.125%	4,680,000	1/1/2012	Partial	101.0
	1/1/2027	5.000%	9,500,000	1/1/2012	Partial	101.0
	1/1/2028	5.000%	12,780,000	1/1/2012	Partial	101.0
			97,205,000			
Electric System Refunding Revenue Bonds (2002B)						
	1/1/2017	5.000%	18,185,000	1/1/2013	Full	100.0
	1/1/2020	5.000%	28,495,000	1/1/2013	Full	100.0
	1/1/2021	5.000%	21,960,000	1/1/2013	Full	100.0
	1/1/2022	5.000%	32,960,000	1/1/2013	Full	100.0
			101,600,000			
			234,955,000			

2010 Series B Tax-Exempt Bonds Economic Refunding Results
The net present value of the savings associated with the refunded bonds is $29,164,065 and is depicted in the graph below. Given the current refunding funds on hand, the net present value of these aggregate savings is $28,403,442:

2010 Series B (Economic Refunding)	
Bond Par Amount	216,785,000
True Interest Cost	2.866321%
Arbitrage Yield	2.603359%
Average coupon	4.874798%
Average Life	10.226
Par Amount of refunded bonds	234,955,000
Average coupon of refunded bonds	5.046532%
Average life of refunded bonds	9.1500
Net NPV savings	29,164,065
Percentage savings of refunded boı	12.412617%

Original Issue Premium/Discount
The 2010 Series B Tax-Exempt Bonds include an original issue premium (OIP). Bonds with an OIP structure are sold at coupons or interest rates which are above current market interest rates. In order to give the investor an actual rate of return or "yield" which is equal to the current market interest rates, these bonds are sold at a price above the par amount. The 2010 Series B Tax-Exempt Bonds had a net original issue premium of $38,857,022.

Redemption Provisions
The 2010 Series B Tax-Exempt Bonds maturing on and after December 1, 2021 are subject to redemption prior to their stated maturity, at the election of SRP, in whole or in part, at any time on or after December 1, 2020 at the redemption price of 100% of the principal amount of the 2010 Series B Tax-Exempt Bonds, together with accrued interest on, but not including the redemption date.

Debt Service Reserve Fund
At October 31, 2008, the balance in the Debt Reserve Account was approximately $81 million, which exceeded the Debt Reserve Requirement. Upon issuance of the 2010 Series A and B Bonds, the account will continue to exceed the Debt Reserve Requirement, Therefore, no proceeds from the 2010 Series A or B Bonds will be deposited into the Debt Service Reserve Fund.

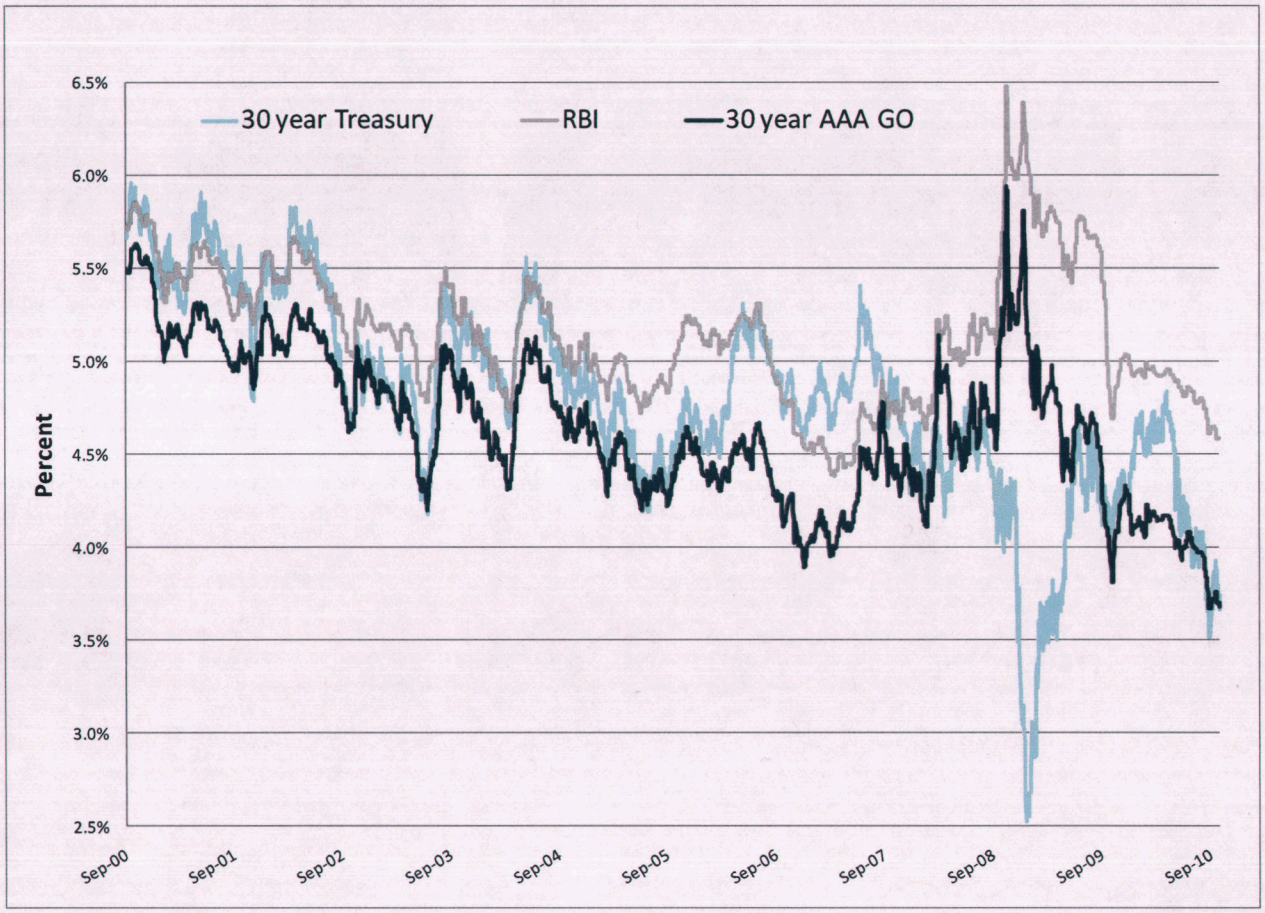
Security and Source of Payment:
The Revenue Bonds, including the 2010 Series Bonds, are payable from and secured by a pledge of and lien on Revenues. Revenues are defined in the Resolution as (i) all revenues, income, rents and receipts derived by SRP from the ownership and operation of the Electric System and the proceeds of any insurance covering business interruption loss relating to the Electric System and (ii) interest received on any moneys or securities (other than in the Construction Fund) held pursuant to the Resolution and paid into the Revenue Fund, but not including any such income or receipts attributable directly or indirectly to the ownership or

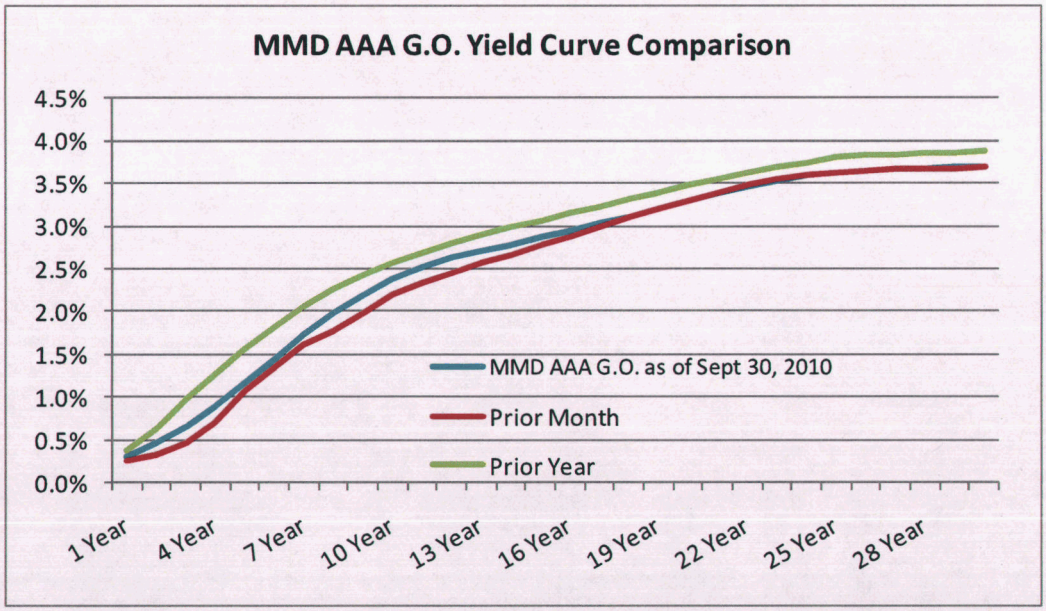
operation of any Separately Financed Project and not including any federal or state grant monies the receipt of which is conditioned upon their expenditure for a particular purpose.

Bond Ratings:
Moody's Investors Services, Inc. ("Moody's") and Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. ("S&P") assigned the 2010 Series A Build America Bonds the 2010 Series B Tax-Exempt Bonds underlying ratings of "Aa1" and "AA respectfully.

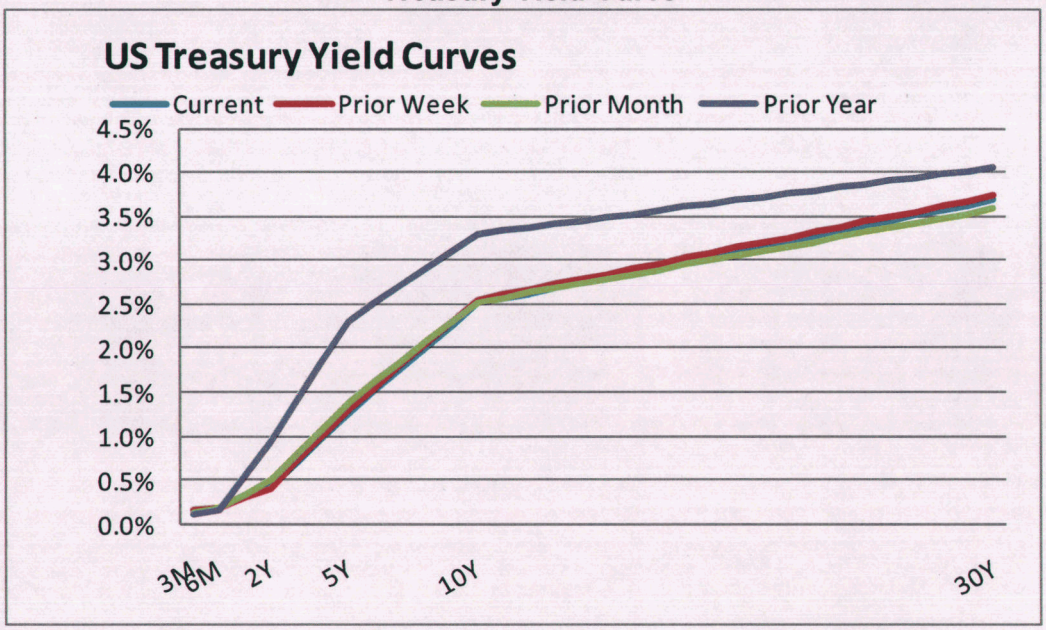
General Market Conditions

The graph below depicts the movement of 30-Year Treasury rate and 30-Year MMD AAA G.O. rate as well as the *Bond Buyer 25* Revenue Bond Index (the "RBI") since 2000. In addition, the historical trend of the MMD AAA G.O. index and the Bond Buyer's 30-day Visible Supply are shown.

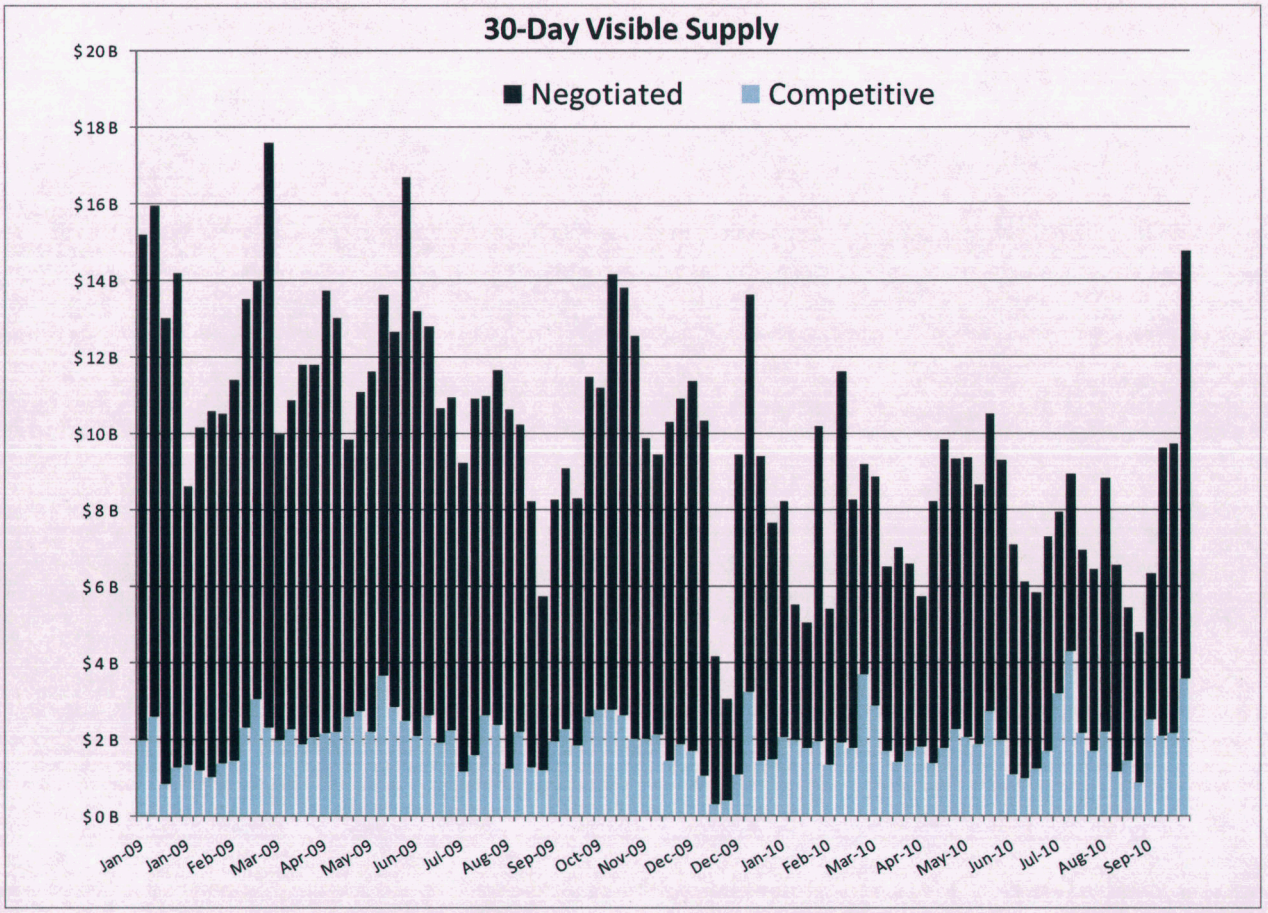




Treasury Yield Curve



30-Day Visible Supply



Pricing of the Bonds

Background:

To prepare for the pricing/sale process, PFM closely followed the recent trends of interest rates, municipal offerings and inventory and other matters relevant to the pricing of the 2010 Series A and B Bonds. Furthermore, PFM analyzed the interest rates, yields, and takedown levels of recently priced municipal BABs and tax-exempt municipal utility issues as well as the historical interest rates and yields of SRP's issues and compared them to the initial interest rates, yields, and takedown levels proposed by the Underwriter.

In order to provide an analytical context to assess the pricing of the 2010 Series A Build America Bonds, PFM performed a yield analysis on the following recent (past 2 months) Build America Bonds transactions that were of similar credit quality:

Build America Bond Comparables

Issuer	Rating	Sale Date	Maturity Size ($000)	Maturity	Spread	Call Option	Underwriter
Spotsylvania Cnty Va Wtr & Swr	Aa3 / Aae	08/10	16,105	2040	T + 165	10-yr Call	Wells Fargo
Oakland Park Fla Wtr & Swr Rev	NR / AAAe	08/10	3,760	2040	T + 230	10-yr Call	Southwest Sec.
Douglas Cnty Wash Pub Util	Aa3 / AA	08/10	20,530	2040	T + 185	MW	JP Morgan
Polk Cnty Fla Util Sys Rev	Aa3 / A+	08/10	46,360	2040	T + 237	10-yr Call	BAML
Phoenix AZ Civic Improvement	A1 / A+	08/10	21,345	2040	T + 268	MW	Barclays
Sunrise Fla Util Sys Rev	NR / AA-	09/10	57,100	2035	T + 219.8	10-yr Call	Morgan Stanley
Sarasota Fla Wtr & Swr Sys Rev	Aa2 / NR	09/10	11,330	2040	T + 202.8	10-yr Call	Raymond James
NY City Municipal Water	AA2 / AA+	09/10	250,000	2041	T + 186	MW	Barclays
			500,000	2043	T + 151	EMW	
Okanogan County (WA)	A1 / A-	09/10	7,005	2040	T + 225	MW	Seattle - Northwest
Commonwealth Financing Authority (PA)	Aa3 / AA-	09/10	70,295	2040	T + 186	MW	Citi
Williamsport (PA) Sewer	NR / AA-	09/10	16,235	2040	T + 195	10-yr Call	Robert w. Baird
Ohio State Water Development	Aaa / AAA	09/10	63,930	2042	T + 112.5	MW	Barclays
Tallahassee (FL) Utilities	Aa1 / AA+	09/10	102,665	2040	T + 138	MW	JP Morgan
Colorado Springs Utilities	Aa2 / AA	09/10	10,970	2040	T + 163	10-yr Call	Piper Jaffray
Southern California Public Power	NR / AA-	09/10	41,550	2035	T + 200	MW	Morgan Stanley

Additionally, the following older public power and utility Build America Bond transactions were examined:

Build America Bond Comparables							
Issuer	Rating	Sale Date	Maturity Size ($000)	Maturity	Spread	Call Option	Underwriter
SMUD	A1/A+/A	05/09	200,000	2036	T + 225	MW/EMW	Goldman
CPS	Aa1/AA/AA+	06/09	375,000	2039	T + 145	MW/EMW	Goldman
Tuolumne Wind Project	A1/A+/A+	06/09	151,605	2034	T + 250	MW/EMW	Citi
PPGA	A2/A-	07/09	185,185	2041	T + 300	MW/EMW	Goldman
Metropolitan Water, CA	Aa2/AAA/AA+	07/09	157,360	2039	T + 200	10-Yr Call	JP Morgan
AMP Ohio	A1/A/A	10/09	77,435 272,515	2039 2043	T + 250 T + 200	10-Yr Call MW/EMW	Merrill Lynch
NYC Municipal Water	Aa3/AA+/AA	10/09	100,850 403,390	2041 2041	T + 190 T + 140	10-Yr Call MW/EMW	Barclays
North Texas Municipal Water District	Aa2/AAA	11/09	56,180	2039	T + 175	10-Yr Call	JP Morgan
San Antonio Texas Water	Aa2/AA/AA	11/09	51,945	2039	T + 135	MW/EMW	Barclays
JEA Electric System Senior	Aa2/AA-/AA-	11/09	45,955	2044	T + 175	MW/EMW	JP Morgan
JEA Electric System Subordinated	Aa3/A+/AA-	11/09	56,600	2034	T + 210	MW/EMW	JP Morgan
Los Angeles Department of Water and Power	Aa3/AA/AA	11/09	250,000	2039	T + 175	MW/EMW	Citi
Missouri Joint Municipal Elec Util Comm	A3	12/09	119,905	2042	T + 240	MW/EMW	JP Morgan
MEAG Project J	A2/A+/A+	03/10	1,224,265	2057	T + 205	MW/EMW	Goldman
MEAG Project M	A2/A+/A+	03/10	1,012,235	2057	T + 200	MW/EMW	Goldman
MEAG Project P	Baa2/A-/A-	03/10	383,405	2057	T + 237.5	MW/EMW	Goldman
CPS	Aa1/AA/AA+	03/10	280,000 100,000	2041 2041	T + 100 T + 145	MW/EMW 10-Yr Call	Barclays
LIPA	A3/A-	04/10	110,000	2041	T + 145	MW/EMW	Citi
Snohomish PUD	Aa3/AA-	05/10	86,430	2035	T + 120	MW/EMW	Citi
Seattle Wash Muni Light & Power	Aa2/AA-	05/10	102,620	2040	T + 112.5	MW/EMW	Citi
San Fransico City & County	Aa2/AA-	06/10	295,195	2040	T + 185	MW/EMW	Barclays
Northern CA Power Agency	Aa2	06/10	105,015	2035	T + 150	MW/EMW	Goldman
Tacoma Washington Electric System	Aa3/AA	07/10	100,000	2035	T + 187	MW/EMW	JP Morgan
Corpus Christi Tex Util Sys Re	Aa3 / A+	07/10	34,995	2040	T + 230	MW	Frost NB
Oklahoma St Mun Pwr Auth Pwr	A2 / A+	07/10	17,970	2040	T + 220	MW	BAML

For the 2010 Series B Tax-Exempt Bonds, there were several tax-exempt transactions that were examined. These comparable transactions were selected based on size of transaction as well as issuer credit quality:

Issuer	Rating	Sale date	Par
New Mexico Transn Rev	Aa1/AA+/NR	9/23/2010	461,075,000
New York City Mun Wtr	Aa2/AA+/AA+	9/22/2010	210,040,000
TN Metro Govt Nashville	Aa1/AA/NR	9/21/2010	291,360,000
Ohio St Wtr Dev Auth C	Aaa/AAA/NR	9/22/2010	101,165,000
KS Wichita Wtr Swr Util A	NR/AA-/NR	9/21/2010	31,810,000
Ohio St Wtr Pollution Cntl	Aaa/AAA/NR	9/16/2010	73,200,000
MD Washington Sanit Dist A	Aaa/AAA/AAA	9/14/2010	120,000,000
TX Muni Solid Waste Disp	Aa3/AA/NR	9/9/2010	18,295,000
FL Tallahassee Util B	Aa1/AA+/AA+	9/9/2010	25,820,000
Colorado Springs Util A1	Aa2/AA/AA	9/9/2010	117,925,000
Southern CA Pwr Windy Proj	NR/AA-/AA-e	8/24/2010	514,160,000
AZ Scottsdale IDA C	A3/A-/A-	8/17/2010	58,350,000
AZ Phoenix Civic Impt Arpt C	A1/A+/NR	8/11/2010	32,080,000
AZ Phoenix Civic Impt Arpt A	NR	8/11/2010	642,680,000
CA Pasadena Elec Rev	NR/AA-/AA	7/19/2010	36,320,000

Bond Pricing:

During the months leading up to the pricing of the 2010 Series A and B Bonds, the market was experiencing volatility due to several economic factors. One contributor was that the U.S. economy was signaling slower growth and the lingering effects of a recession. Housing tax incentives expired, State and Local Government budgets remained under stress, and U.S. unemployment still hovered near ten percent. Adding to the domestic economic problems was a struggling global economy, led by the debt crisis in Greece, which was directly impacting the U.S. debt and equity markets. The global economic uncertainty resulted in a "flight to safety", as many investors replaced their equity positions with "risk-free" U.S. Treasuries. The increased demand for Treasuries resulted in a significant rally in taxable yields. In the six months prior to the bond issuance, the 10-Year Note had rallied more than 134 basis points and the 30-Year Bond rallied more than 106 basis points during that same period.

During September, economic news about the direction and strength of the economic recovery continued to cloud the market. In the week prior to pricing, some indicators pointed to a stronger recovery. Housing starts, existing home sales and new building permits came in higher than anticipated. Conversely, some economic news clouded the picture; Initial and Continuing Unemployment claims were reported higher than expectations. Also of note, the week of pricing, a report was released by Meredith Whitney, an influential analyst, that warned of a potential risk associated with over-stretched state budgets. As a result, in the week of pricing, the Treasury yield curve saw near term maturities (1-5 years) increase yields (1-3 basis points) while longer maturities saw decreasing yields (-4 to -6 basis points). Activity in the municipal market slowed as investors paused to consider the potential impacts of this report.

Even with the September market volatility, the economic environment had turned in SRP's favor for the SRP 2010 Series A and B pricing since Treasuries were at or near their historical lows. For example, the 30 year treasury, used as a benchmark for the 2010 Series A Build America Bonds, was 118 basis points below its 10 year average of 4.84%. Likewise, yields on municipal

securities were also near their historic lows. The benchmark 10-year MMD, used for the 2010 Series B Tax-Exempt bonds, was 186 basis points below its historical average of 5.04%.

In order to differentiate SRP from other municipal issuers, the SRP financing team conducted an extensive investor outreach program in the weeks prior to pricing. Marketing efforts included a multi-day, coat-to-coast roadshow that focused on institutional investors. SRP held one-on-one and group meetings in Los Angeles, Chicago, New York, Philadelphia and Boston involving discussions with the largest bond investors (*PIMCO, Blackrock, Vanguard, John Hancock, NY Life, Prudential, etc.)*

Having marketed the upcoming sale, the financing team gathered via conference call on Friday, September 24th to discuss initial price views in preparation of releasing "price whisper" discussions with potential investors. In general, the focus of the discussion was on the 2010 Series A Build America Bonds. It was generally agreed that a spread for these bonds to the 30-year Treasury would be in the 115 to 125 basis point range.

Bond Pricing, 2010 Series A Build America Bonds:

After monitoring primary and secondary market activity leading up to the pricing of the 2010 Series A Build America Bonds, PFM felt that the initial price views were a little wider than what the market was indicating, and suggested that pricing for the 2010 Series A Build America Bonds target the low end of the whisper range, 115 basis points. The Underwriter's agreed with the suggested improvement, and took indications at a spread in the 115 basis point area.

The indication of interest period was welcomed with strong demand across a broad investor base. Following the interest period, SRP had over $$768 million in potential orders for their $500 million in Build America Bonds. It was generally agreed that the book was of quality investors (such as Blackrock, Prudential, Met Life, NY Life, PIMCO, John Hancock, and Allstate) were interested in purchasing SRP's Series 2010 A Build America Bonds. After the strong demand, the financing team agreed that given the market conditions, a spread of 115 was appropriate and official price guidance was disseminated. There was discussion concerning investor reaction to a potential 5 basis point reduction, down to Treasuries plus 110 basis points. However, it was agreed that there was a legitimate possibility that a few of the larger investors might withdraw orders as a result of the reduction. PFM recommended that SRP accept the 115 basis point spread as a fair market level. At this time, the benchmark, 30 Year Treasury was yielding 3.689%. Given the 115 basis point spread, the gross Build America Bond rate was 4.839%. Accounting for the 35% subsidy associated with Build America Bonds, the new effective rate for this $500 million issue was 3.145%. This represents the lowest ever public power, Build America Bond rate to date. The following table summarizes the pricing of the 2010 Series A Build America Bonds:

2010 Series A Build America Bonds					
Maturity	Amount (000)	Coupon/Yield	Price	30 Year Treasury (2PM September 29, 2010)	Spread to treasury
1/1/2041	500,000	4.8390%	100	3.6890%	115 bps

Bond Yield	35% Federal Subsidy	Effective Yield	30 year MMD (September 29)	Spread to MMD
4.8390%	1.6937%	3.1454%	3.6900%	-54 bps

SRP's issue received a broad base of investor support from large insurance companies and fixed income managers. Below is a table detailing the top 10 of 49 investors for the 2010A Build America Bond issue:

	ACCOUNT NAME	Order	Final Allocation	Percent of total	Cumulative percent
1	BLACKROCK	101,500,000	70,000,000	14.0%	14.0%
2	PRUDENTIAL MUTUAL FUNDS	82,000,000	65,000,000	13.0%	27.0%
3	NEW YORK LIFE INSURANCE CO	60,000,000	50,000,000	10.0%	37.0%
4	CUMBERLAND ADVISORS	50,000,000	35,000,000	7.0%	44.0%
5	JOHN HANCOCK MUTUAL	50,000,000	37,000,000	7.4%	51.4%
6	NORTHWESTERN MUTUAL LIFE INS	50,000,000	35,000,000	7.0%	58.4%
7	WELLINGTON MANAGEMENT COMPANY	36,000,000	25,000,000	5.0%	63.4%
8	PIMCO	30,500,000	30,500,000	6.1%	69.5%
9	ALLSTATE INSURANCE	25,000,000	15,000,000	3.0%	72.5%
10	EMIGRANT SAVINGS BANK	20,000,000	6,000,000	1.2%	73.7%

Bond Pricing, 2010 Series B Tax Exempt Bonds:

For the 2010 Series B Tax-Exempt bonds, the week prior to pricing, it was determined that the maturities of these bonds should be changed by one month from the planned January 1st date to the prior month, December 1st of the previous year, for each maturity. This change would produce savings for SRP since investors would then view these December 1st bonds as having a one-year shorter maturity compared to a January 1st bond – for example, a January 1, 2017 maturity would become a December 1, 2016 maturity. This change would have the bonds being benchmarked or "spread" to a shorter, lower MMD and reduce the cost of the issue to SRP.

The retail order period started on September 28th with priority to Arizona investors. Based on feedback from the banking syndicate as well as institutional investors, the following price views were reviewed and the initial retail wire was transmitted:

Series 2010B: Initial Pricing Views (September 28, 2010)								
				Retail View (1st Wire)		Institutional View		Syndicate View
Maturity	Par	Coupon	MMD	Yield	Spread to MMD	Yield	Spread to MMD	Average
12/1/2014	8,920	4.00%	0.840%	0.990%	15 bps	1.010%	17 bps	17 bps
12/1/2016	6,860	2.00%	1.420%	1.600%	18 bps	1.620%	20 bps	19 bps
12/1/2016	10,000	5.00%	1.420%	1.600%	18 bps	1.620%	20 bps	19 bps
12/1/2017	5,740	3.00%	1.700%	1.900%	20 bps	1.920%	22 bps	21 bps
12/1/2017	10,000	5.00%	1.700%	1.900%	20 bps	1.920%	22 bps	21 bps
12/1/2018	10,155	4.00%	1.940%	2.160%	22 bps	2.180%	24 bps	22 bps
12/1/2018	11,000	5.00%	1.940%	2.160%	22 bps	2.180%	24 bps	22 bps
12/1/2019	10,000	3.00%	2.140%	2.390%	25 bps	2.410%	27 bps	24 bps
12/1/2019	33,825	5.00%	2.140%	2.390%	25 bps	2.410%	27 bps	24 bps
12/1/2020	10,000	2.50%	2.320%	2.570%	25 bps	2.570%	25 bps	24 bps
12/1/2020	13,050	5.00%	2.320%	2.570%	25 bps	2.570%	25 bps	24 bps
12/1/2021	10,000	4.00%	2.470%	2.750%	28 bps	2.770%	30 bps	27 bps
12/1/2021	25,310	5.00%	2.470%	2.750%	28 bps	2.770%	30 bps	27 bps
12/1/2022	13,235	5.00%	2.590%	2.890%	30 bps	2.890%	30 bps	28 bps
12/1/2025	3,935	3.00%	2.830%	3.130%	30 bps	3.150%	32 bps	30 bps
12/1/2025	10,000	5.00%	2.830%	3.130%	30 bps	3.150%	32 bps	30 bps
12/1/2026	12,035	5.00%	2.910%	3.210%	30 bps	3.230%	32 bps	30 bps
12/1/2027	10,220	5.00%	3.000%	3.300%	30 bps	3.320%	32 bps	30 bps
	214,285							

After a full day of retail priority orders, there were approximately $86 million of overall retail demand. It was clear from institutional investor feedback to the retail pricing levels that yields would have to be adjusted upward to capture sufficient institutional demand. Based on this feedback, the team reviewed the information and made adjustments to original retail pricing levels. The following table provides the retail investor order book and the recommended yield increases for the institutional pricing wire:

Maturity	Updated Par	Coupon	Orders	Balance	Repricing Results (September 30, 2010) Updated Yield	Change (from initial retail spread to MMD)
12/1/2014	9,435	4.00%	6,260	3,175	0.99%	0 bps
12/1/2016	805	2.00%	805	-	1.62%	2 bps
12/1/2016	16,380	5.00%	7,200	9,180	1.62%	2 bps
12/1/2017	315	3.00%	315	-	1.93%	3 bps
12/1/2017	15,710	5.00%	5,460	10,250	1.93%	3 bps
12/1/2018	10,495	4.00%	10,495	-	2.20%	4 bps
12/1/2018	11,000	5.00%	11,000	-	2.20%	4 bps
12/1/2019	1,335	3.00%	1,335	-	2.44%	5 bps
12/1/2019	42,670	5.00%	11,000	31,670	2.44%	5 bps
12/1/2020	940	2.50%	940	-	2.62%	5 bps
12/1/2020	22,380	5.00%	13,150	9,230	2.62%	5 bps
12/1/2021	1,525	4.00%	1,525	-	2.80%	5 bps
12/1/2021	33,885	5.00%	-	33,885	2.80%	5 bps
12/1/2022	13,560	5.00%	2,280	11,280	2.94%	5 bps
12/1/2025	2,245	3.00%	2,245	-	3.18%	5 bps
12/1/2025	11,400	5.00%	950	10,450	3.18%	5 bps
12/1/2026	12,100	5.00%	200	11,900	3.26%	5 bps
12/1/2027	10,480	5.00%	10,480	-	3.33%	3 bps
	216,660		85,640	131,020		

There was moderate institutional demand at the re-priced levels. While some maturities were oversubscribed, there were still a number of maturities that had unsold balances, particularly the intermediate maturities from 2019 to 2022. Based on the unsold balances in these years, the Underwriter proposed underwriting the bonds at a slight increase in certain maturities. The Underwriter was confident that investors would commit to purchase with these adjustments, or that they would underwrite the unsold balances. PFM was in agreement that the adjustments were necessary to place the remainder of the bonds. The following table contains the adjustments and the final levels:

2010 Series B Tax-Exempt Bonds						
Maturity	Amount (000)	Coupon	Final BP Adjustment	Yield to worst	30 Sept MMD	Spread to 30 Sept MMD
12/1/2014	9,450,000	4.000%	0 bps	0.99%	0.8900%	10 bps
12/1/2016	805,000	2.000%	0 bps	1.62%	1.4600%	16 bps
12/1/2016	16,390,000	5.000%	0 bps	1.62%	1.4600%	16 bps
12/1/2017	315,000	3.000%	0 bps	1.93%	1.7400%	19 bps
12/1/2017	15,715,000	5.000%	0 bps	1.93%	1.7400%	19 bps
12/1/2018	10,510,000	4.000%	0 bps	2.20%	1.9900%	21 bps
12/1/2018	11,000,000	5.000%	0 bps	2.20%	1.9900%	21 bps
12/1/2019	1,335,000	3.000%	3 bps	2.47%	2.2000%	27 bps
12/1/2019	42,670,000	5.000%	3 bps	2.47%	2.2000%	27 bps
12/1/2020	940,000	2.500%	3 bps	2.65%	2.3800%	27 bps
12/1/2020	22,405,000	5.000%	3 bps	2.65%	2.3800%	27 bps
12/1/2021	1,525,000	4.000%	3 bps	2.83%	2.5300%	30 bps
12/1/2021	33,885,000	5.000%	3 bps	2.83%	2.5300%	30 bps
12/1/2022	13,585,000	5.000%	1 bps	2.95%	2.6400%	31 bps
12/1/2025	2,245,000	3.000%	1 bps	3.19%	2.8700%	32 bps
12/1/2025	11,400,000	5.000%	1 bps	3.19%	2.8700%	32 bps
12/1/2026	12,105,000	5.000%	1 bps	3.27%	2.9500%	32 bps
12/1/2027	10,505,000	5.000%	1 bps	3.34%	3.0300%	31 bps

Underwriter's Discount: The final Underwriter's Discount for the transaction totaled $3,657,374 or $5.10246 per $1,000 par amount of bonds.

Cost of Issuance: The estimated cost of issuance for the transaction totaled $750,000.00 or $.9557 per $1,000 par amount of bonds.

Secondary Market Activity, 2010 Series A Bonds: Attached to this memorandum is a record of all secondary market trades from the date of sale to the delivery date. All of the trade information was collected from publically available data through the Electronic Municipal Market Access (EMMA) platform. EMMA is the official source for municipal disclosures and market data.

Conclusions and Recommendations:

Based on the foregoing and our knowledge and experience in the issuance of municipal debt, it is Public Financial Management's opinion that the coupon rates, yields and underwriting spread, all of which constitute the pricing of the 2010 Series A Build America Bonds and the 2010 Series B Tax-Exempt Bonds, were fair and appropriate for SRP. PFM endorses the decision to accept the terms of the transaction.

Secondary Market Activity Available on EMMA

SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS,
2010 SERIES A (FEDERALLY TAXABLE-DIRECT PAYMENT- BUILD AMERICA BONDS (AZ)

CUSIP: 79575DE63 *
Dated Date: 10/07/2010
Maturity Date: 01/01/2041
Interest Rate: 4.839 %
Principal Amount At Issuance: $500,000,000
Initial Offering Price: 100

Trade Date/Time	Settlement Date	Price (%)	Yield (%)	Trade Amt ($)	Trade Submissiontype
10/07/2010 : 02:57 PM	10/13/2010	98.902		5,000,000	Inter-dealer Trade
10/07/2010 : 02:26 PM	10/13/2010	98.962		5,000,000	Inter-dealer Trade
10/07/2010 : 12:17 PM	10/13/2010	99.552	4.867	4,000,000	Customer bought
10/07/2010 : 12:04 PM	10/13/2010	100.116	4.832	1,000,000	Customer bought
10/06/2010 : 08:23 AM	10/12/2010	99.381	4.878	5,000,000	Customer sold
10/05/2010 : 04:38 PM	10/8/2010	101.5	4.744	5,000	Customer bought
10/04/2010 : 01:37 PM	10/7/2010	100.227	4.824	3,200,000	Customer bought
10/04/2010 : 01:18 PM	10/7/2010	99.335	4.881	2,000,000	Customer sold
10/04/2010 : 11:21 AM	10/7/2010	100	4.839	1,000,000	Customer sold
10/01/2010 : 04:12 PM	10/7/2010	99.74	4.855	3,000,000	Customer bought
10/01/2010 : 04:07 PM	10/7/2010	99.693	4.858	6,000,000	Customer bought
10/01/2010 : 04:07 PM	10/7/2010	99.537	4.868	6,000,000	Customer sold
10/01/2010 : 09:37 AM	10/7/2010	99.444		4,000,000	Inter-dealer Trade
09/30/2010 : 04:08 PM	10/7/2010	99.925		250,000	Inter-dealer Trade
09/30/2010 : 04:08 PM	10/7/2010	99.925		125,000	Inter-dealer Trade
09/30/2010 : 04:06 PM	10/7/2010	99.9	4.845	125,000	Customer sold
09/30/2010 : 04:06 PM	10/7/2010	99.9	4.845	250,000	Customer sold
09/30/2010 : 03:01 PM	10/7/2010	100	4.839	1,305,000	Customer sold
09/30/2010 : 02:55 PM	10/7/2010	100	4.839	1,695,000	Customer sold
09/30/2010 : 02:49 PM	10/7/2010	100		250,000	Inter-dealer Trade
09/30/2010 : 02:49 PM	10/7/2010	100		125,000	Inter-dealer Trade
09/30/2010 : 02:48 PM	10/7/2010	100.448	4.81	2,775,000	Customer sold
09/30/2010 : 02:44 PM	10/7/2010	100.448	4.81	2,225,000	Customer sold
09/30/2010 : 02:43 PM	10/7/2010	100.338	4.817	5,000,000	Customer sold
09/30/2010 : 02:43 PM	10/7/2010	100.496	4.807	5,000,000	Customer sold
09/30/2010 : 02:26 PM	10/7/2010	100.448	4.81	2,000,000	Customer sold
09/30/2010 : 02:25 PM	10/7/2010	100.309	4.819	1,000,000	Customer bought
09/30/2010 : 02:20 PM	10/7/2010	100.054		4,000,000	Inter-dealer Trade
09/30/2010 : 02:17 PM	10/7/2010	100.04	4.836	4,000,000	Customer sold
09/30/2010 : 02:13 PM	10/7/2010	100.448	4.81	1,000,000	Customer sold
09/30/2010 : 02:05 PM	10/7/2010	100.149	4.829	2,000,000	Customer sold
09/30/2010 : 02:02 PM	10/7/2010	100.038	4.836	2,175,000	Customer bought

SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS,
2010 SERIES A (FEDERALLY TAXABLE-DIRECT PAYMENT- BUILD AMERICA BONDS (AZ)

CUSIP: 79575DE63 •
Dated Date: 10/07/2010
Maturity Date: 01/01/2041
Interest Rate: 4.839 %
Principal Amount At Issuance: $500,000,000
Initial Offering Price: 100

Trade Date/Time	Settlement Date	Price (%)	Yield (%)	Trade Amt ($)	Trade Submissiontype
09/30/2010 : 02:02 PM	10/7/2010	100.038	4.836	2,825,000	Customer bought
09/30/2010 : 01:59 PM	10/7/2010	100.337	4.817	5,000,000	Customer sold
09/30/2010 : 01:59 PM	10/7/2010	100.309	4.819	2,000,000	Customer bought
09/30/2010 : 01:54 PM	10/7/2010	100.369	4.815	7,000,000	Customer sold
09/30/2010 : 01:51 PM	10/7/2010	100.638	4.798	2,000,000	Customer bought
09/30/2010 : 01:50 PM	10/7/2010	100.496	4.807	2,500,000	Customer sold
09/30/2010 : 01:49 PM	10/7/2010	100.29		3,000,000	Inter-dealer Trade
09/30/2010 : 01:47 PM	10/7/2010	100.527	4.805	4,000,000	Customer bought
09/30/2010 : 01:43 PM	10/7/2010	99.913	4.844	5,000,000	Customer sold
09/30/2010 : 01:42 PM	10/7/2010	100.316	4.819	5,000,000	Customer sold
09/30/2010 : 01:39 PM	10/7/2010	100.369	4.815	2,000,000	Customer sold
09/30/2010 : 01:30 PM	10/7/2010	100.262		2,000,000	Inter-dealer Trade
09/30/2010 : 01:30 PM	10/7/2010	100.337		2,000,000	Inter-dealer Trade
09/30/2010 : 01:16 PM	10/7/2010	100	4.839	750,000	Customer sold
09/30/2010 : 01:07 PM	10/7/2010	100.195	4.826	2,000,000	Customer sold
09/30/2010 : 11:18 AM	10/7/2010	100	4.839	750,000	Customer bought
09/30/2010 : 11:17 AM	10/7/2010	100	4.839	375,000	Customer bought
09/30/2010 : 11:16 AM	10/7/2010	100	4.839	100,000	Customer bought
09/30/2010 : 11:15 AM	10/7/2010	100	4.839	50,000	Customer bought
09/30/2010 : 11:15 AM	10/7/2010	100	4.839	100,000	Customer bought
09/30/2010 : 11:14 AM	10/7/2010	100	4.839	100,000	Customer bought
09/30/2010 : 11:13 AM	10/7/2010	100	4.839	100,000	Customer bought
09/30/2010 : 11:10 AM	10/7/2010	100	4.839	2,000,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	1,000,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100		4,575,000	Inter-dealer Trade
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	2,000,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	100,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100		2,000,000	Inter-dealer Trade
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	2,000,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	4,000,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100		1,000,000	Inter-dealer Trade
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	35,000,000	Customer bought

SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS,
2010 SERIES A (FEDERALLY TAXABLE-DIRECT PAYMENT- BUILD AMERICA BONDS (AZ)

CUSIP: 79575DE63 •
Dated Date: 10/07/2010
Maturity Date: 01/01/2041
Interest Rate: 4.839 %
Principal Amount At Issuance: $500,000,000
Initial Offering Price: 100

Trade Date/Time	Settlement Date	Price (%)	Yield (%)	Trade Amt ($)	Trade Submissiontype
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	2,500,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	1,000,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	6,000,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	500,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	2,500,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	4,000,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	37,000,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	7,000,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	2,225,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	2,000,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	10,000,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	60,000,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	5,000,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	7,500,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	2,000,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	2,000,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	5,000,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	2,000,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	2,775,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	15,000,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	2,000,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	4,000,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	2,000,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	65,000,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	12,500,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100		100,000	Inter-dealer Trade
09/30/2010 : 11:00 AM	10/7/2010	100		3,000,000	Inter-dealer Trade
09/30/2010 : 11:00 AM	10/7/2010	100		5,000,000	Inter-dealer Trade
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	25,000,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	125,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	30,500,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	6,000,000	Customer bought

SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS,
2010 SERIES A (FEDERALLY TAXABLE-DIRECT PAYMENT- BUILD AMERICA BONDS (AZ)

CUSIP: 79575DE63 *
Dated Date: 10/07/2010
Maturity Date: 01/01/2041
Interest Rate: 4.839 %
Principal Amount At Issuance: $500,000,000
Initial Offering Price: 100

Trade Date/Time	Settlement Date	Price (%)	Yield (%)	Trade Amt ($)	Trade Submissiontype
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	35,000,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	10,000,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	10,000,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	100,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	1,000,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	6,000,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	5,000,000	Customer bought
09/30/2010 : 11:00 AM	10/7/2010	100	4.839	50,000,000	Customer bought

II. Post-Pricing Book

Delivering More Than Power.™

Salt River Project Agricultural Improvement and Power District

Electric System Revenue Bonds

2010 Series A (Build America Bonds)

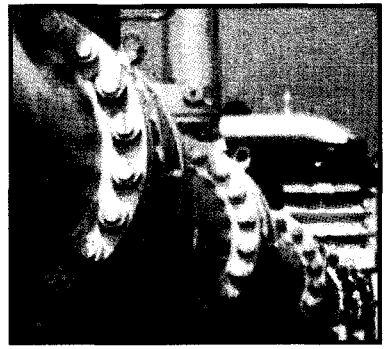
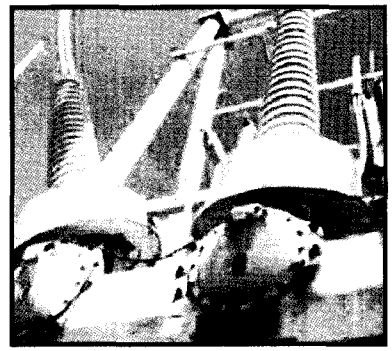
2010 Series B (Tax-Exempt Refunding Revenue Bonds)

Post-Pricing Book

presented by

The PFM Group

October 6th, 2010

The PFM Group

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II. Market Conditions

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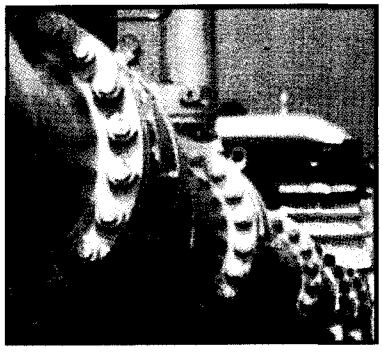
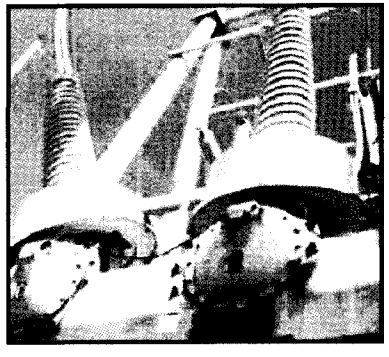
IV. Transaction Highlights

V. Pricing Comparables

- Build America Bonds
- Tax-Exempt
- Secondary Market Transactions

I. Transaction Information

Schedule

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September 28th (Tuesday)

- Pre-pricing call

September 29th (Wednesday)

- Retail Order Period, Tax-Exempt
- Pricing (BABs)

September 30th (Thursday)

- Pricing, Tax-Exempt

October 1st (Friday)

- SRP Special Board Meeting – approval to change dividend dates for 2010B from January to December

October 4th (Monday)

- SRP Board Meeting
- Sign BPA

October 7th

- Closing

NEW ISSUE **FULL BOOK-ENTRY**

In the opinion of Bond Counsel, under existing statutes and court decisions and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the District, interest on the 2010 Series B Bonds is excluded from gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In the further opinion of Bond Counsel, interest on the 2010 Series B Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations; such interest, however is included in adjusted current earnings in calculating alternative minimum taxable income for purposes of the alternative minimum tax imposed under the Code on certain corporations. Interest on the 2010 Series A Bonds is included in gross income of the owners thereof for federal income tax purposes. In the opinion of Bond Counsel, interest on both the 2010 Series A Bonds and 2010 Series B Bonds is exempt from income taxes imposed by the State of Arizona. See "TAX MATTERS" herein regarding certain other tax considerations.

Salt River Project Agricultural Improvement and Power District, Arizona
Salt River Project Electric System Revenue Bonds

$500,000,000 2010 Series A (Federally Taxable – Direct Payment – Build America Bonds)	$216,785,000 2010 Series B (Tax-Exempt)

Dated: Date of Delivery **Due: As shown on inside cover**

The 2010 Series Bonds (as defined herein) are being issued pursuant to the Supplemental Resolution Dated September 10, 2001, authorizing an Amended and Restated Resolution Concerning Revenue Bonds, which became effective January 11, 2003, as amended and supplemented (the "Resolution"). The 2010 Series Bonds, together with heretofore and hereafter issued Revenue Bonds, are payable from and secured by a pledge of and lien on all Revenues of the District from the ownership and operation of the Electric System after the payment of Operating Expenses.

The 2010 Series Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2010 Series Bonds. Individual purchases of interests in the 2010 Series Bonds may be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof. Purchasers of such interests will not receive certificates representing their interests in the 2010 Series Bonds. Interest with respect to the 2010 Series A Bonds is payable January 1 and July 1 of each year, commencing January 1, 2011. Interest with respect to the 2010 Series B Bonds is payable June 1 and December 1 of each year, commencing December 1, 2010.

The principal of, redemption price, if any, and interest on the 2010 Series Bonds are payable by U.S. Bank National Association, as Trustee, and interest will be payable by check mailed by the Trustee to the registered owner of each 2010 Series Bond as of the immediately preceding December 15 or June 15 for the 2010 Series A Bonds and May 15 and November 15 for the 2010 Series B Bonds. So long as Cede & Co. is the registered owner, the Trustee will pay such principal and redemption price, if any, of and interest on the 2010 Series Bonds to DTC, which will remit such principal, redemption price, if any, and interest to its Direct Participants for subsequent disbursement to the Beneficial Owners of the 2010 Series Bonds. The 2010 Series Bonds are subject to optional and mandatory redemption as described herein. See "THE 2010 SERIES BONDS — Redemption" herein.

The District currently intends to designate the 2010 Series A Bonds as direct payment "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"). Subject to the District's compliance with certain requirements under the Recovery Act and the Internal Revenue Code of 1986, as amended (the "Code"), the District expects to receive cash subsidy payments from the United States Treasury equal to 35% of the interest payable on the 2010 Series A Bonds. Such cash subsidy payments received by the District will be deposited in the Revenue Fund.

The 2010 Series Bonds do not constitute general obligations of the District or obligations of the State of Arizona, and no holder of any of the 2010 Series Bonds has the right to compel the exercise of the taxing powers of the District to pay the 2010 Series Bonds or the interest thereon.

This cover page contains certain information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the 2010 Series Bonds. Investors should read this Official Statement in its entirety before making an investment decision.

The 2010 Series Bonds are offered when, as and if issued, and subject to the approval of legality by Dinsmore Biddle & Reath LLP, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Winston & Strawn LLP. It is expected that the 2010 Series Bonds will be available for delivery to DTC in New York, New York, on or about October 7, 2010.

Morgan Stanley **J.P. Morgan**
BofA Merrill Lynch **Citi** **Goldman, Sachs & Co.** **Ramirez & Co., Inc.**

Dated: September 30, 2010

Financing Team

Delivering More Than Power.™

Co-Senior Managers

- Morgan Stanley
- J.P. Morgan Securities

Co-Managers

- Bank of America Merrill Lynch
- Citigroup
- Goldman Sachs
- Samuel A. Ramirez &Co.

Underwriter's Counsel

- Winston & Strawn

Bond Counsel

- Drinker Biddle and Reath

Financial Advisor

- Public Financial Management

Affirmed Credit ratings

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Moody's and Standard &Poor's have assigned ratings of Aa1 and AA, respectively, to SRP's 2010 Series A and Series B bonds

Rating Agency	Credit Rating	Outlook
MOODY'S INVESTORS SERVICE	Aa1	*Stable*
STANDARD &POOR'S	AA	*Stable*

Pricing Scale – Series 2010A Build America Bonds

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2010 Series A Build America Bonds					
Maturity	Amount (000)	Coupon/Yield	Price	30 Year Treasury (2PM September 29, 2010)	Spread to treasury
1/1/2041	500,000	4.8390%	100	3.6890%	115 bps
	Bond Yield	35% Federal Subsidy	Effective Yield	30 year MMD (September 29)	Spread to MMD
	4.8390%	1.6937%	3.1454%	3.6900%	-54 bps

Pricing Scale – Series 2010B Tax-Exempt

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2010 Series B Tax-Exempt Bonds						
Maturity	Amount (000)	Coupon/Yield	Price	Yield to worst	30 Sept MMD	Spread to 30 Sept MMD
12/1/2014	9,450,000	4.000%	112.207	0.99%	0.8900%	10 bps
12/1/2016	805,000	2.000%	102.214	1.62%	1.4600%	16 bps
12/1/2016	16,390,000	5.000%	119.707	1.62%	1.4600%	16 bps
12/1/2017	315,000	3.000%	107.112	1.93%	1.7400%	19 bps
12/1/2017	15,715,000	5.000%	120.409	1.93%	1.7400%	19 bps
12/1/2018	10,510,000	4.000%	113.360	2.20%	1.9900%	21 bps
12/1/2018	11,000,000	5.000%	120.784	2.20%	1.9900%	21 bps
12/1/2019	1,335,000	3.000%	104.314	2.47%	2.2000%	27 bps
12/1/2019	42,670,000	5.000%	120.603	2.47%	2.2000%	27 bps
12/1/2020	940,000	2.500%	98.670	2.65%	2.3800%	27 bps
12/1/2020	22,405,000	5.000%	120.790	2.65%	2.3800%	27 bps
12/1/2021	1,525,000	4.000%	110.256	2.83%	2.5300%	30 bps
12/1/2021	33,885,000	5.000%	119.024	2.83%	2.5300%	30 bps
12/1/2022	13,585,000	5.000%	117.864	2.95%	2.6400%	31 bps
12/1/2025	2,245,000	3.000%	97.728	3.19%	2.8700%	32 bps
12/1/2025	11,400,000	5.000%	115.584	3.19%	2.8700%	32 bps
12/1/2026	12,105,000	5.000%	114.836	3.27%	2.9500%	32 bps
12/1/2027	10,505,000	5.000%	114.186	3.34%	3.0300%	31 bps

SRP Debt Profile Following 2010 Series A and Series B Issuance

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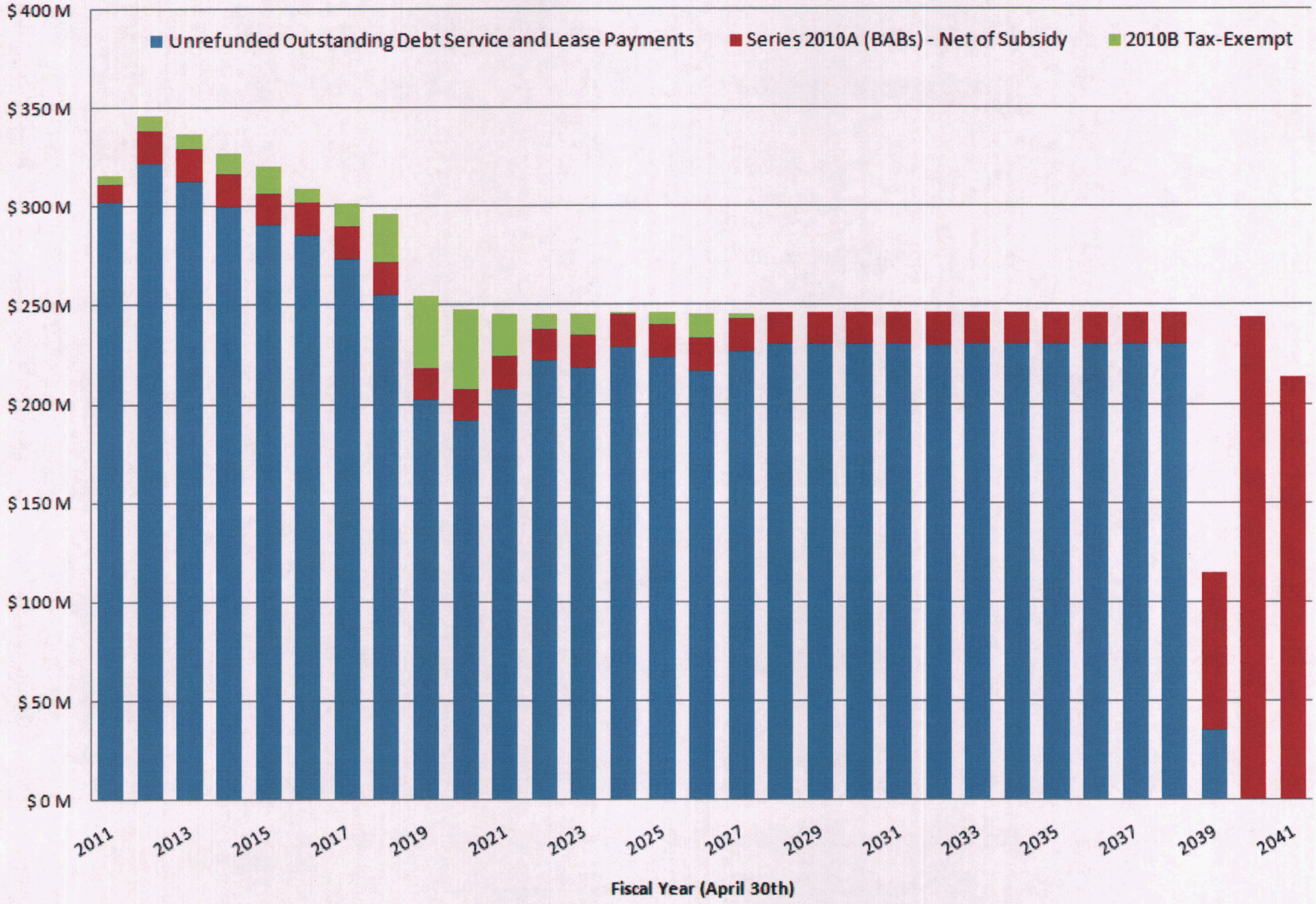
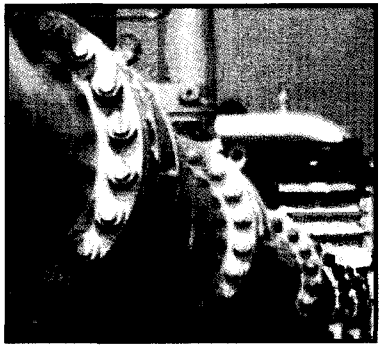
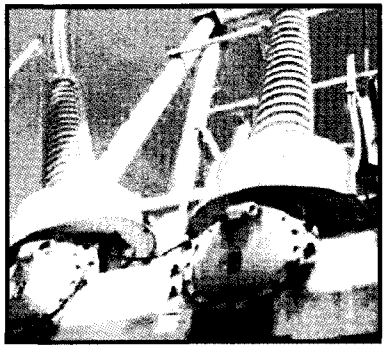


II. Market Conditions





Current Market Levels

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September 30, 2010				
Term	MMD	Treasury	MMD / Treasury	TSY Spread to MMD
3 Mo.		0.158%		
6 Mo.		0.192%		
1	0.300%			
2	0.470%	0.426%	110.3%	- 4.4 bps
3	0.650%	0.630%	103.2%	- 2 bps
5	1.170%	1.265%	92.5%	+ 9.5 bps
10	2.380%	2.512%	94.7%	+ 13.2 bps
20	3.290%			
30	3.700%	3.686%	100.4%	- 1.4 bps
Term	SIFMA	100% LIBOR	67% LIBOR	SIFMA (% LIBOR)
3 Mo.		0.290%	0.194%	
6 Mo.		0.463%	0.310%	
1	0.372%	0.778%	0.521%	47.830%
2	0.527%	0.603%	0.404%	87.396%
3	0.746%	0.871%	0.583%	85.640%
5	1.291%	1.515%	1.015%	85.215%
10	2.190%	2.574%	1.725%	85.062%
20	2.848%	3.212%	2.152%	88.667%
30	3.066%	3.345%	2.241%	91.659%

Compared to Historical Levels

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	Movement Since Prior Week			Movement Since Prior Month			Movement Since Prior Year		
Term	MMD	Treasury	Change in MMD / Treasury	MMD	Treasury	Change in MMD / Treasury	MMD	Treasury	Change in MMD / Treasury
3 Mo.		+ 0.3 bps			+ 2.3 bps			+ 4.5 bps	
6 Mo.		+ 0.4 bps			+ 0.6 bps			+ 1.8 bps	
1	-			+ 5.0 bps			- 7.0 bps		
2	+ 2.0 bps	+ 0.6 bps	3.2%	+ 14.0 bps	- 7.1 bps	43.9%	- 17.0 bps	- 52.3 bps	42.9%
3	+ 4.0 bps	- 3.2 bps	11.0%	+ 19.0 bps	- 10.7 bps	40.8%	- 33.0 bps		
5	+ 3.0 bps	- 4.9 bps	5.7%	+ 10.0 bps	- 12.3 bps	15.4%	- 40.0 bps	- 104.8 bps	24.6%
10	+ 7.0 bps	- 4.1 bps	4.3%	+ 19.0 bps	- 1.8 bps	8.2%	- 19.0 bps	- 79.5 bps	17.0%
20	+ 1.0 bps			- 1.0 bps			- 18.0 bps		
30	+ 1.0 bps	- 4.5 bps	1.5%	+ 1.0 bps	+ 10.4 bps	-2.6%	- 17.0 bps	- 36.5 bps	4.8%
Term	SIFMA	67% LIBOR	100% LIBOR	SIFMA	67% LIBOR	100% LIBOR	SIFMA	67% LIBOR	100% LIBOR
3 Mo.		+ 0.0 bps	+ 0.1 bps		- 0.5 bps	- 0.7 bps		+ 0.2 bps	+ 0.3 bps
6 Mo.		- 0.0 bps	- 0.0 bps		- 2.7 bps	- 4.1 bps		- 11.1 bps	- 16.6 bps
1	- 1.2 bps	- 0.2 bps	- 0.3 bps	- 3.2 bps	- 5.4 bps	- 8.1 bps	- 24.4 bps	- 32.6 bps	- 48.6 bps
2	- 1.8 bps	- 0.8 bps	- 1.3 bps	- 6.4 bps	- 4.1 bps	- 6.2 bps	- 59.3 bps	- 45.7 bps	- 68.2 bps
3	- 3.3 bps	- 2.0 bps	- 3.0 bps	- 10.6 bps	- 7.1 bps	- 10.6 bps	- 80.7 bps	- 67.3 bps	- 100.5 bps
5	- 3.5 bps	- 2.7 bps	- 4.0 bps	- 10.1 bps	- 6.3 bps	- 9.4 bps	- 85.8 bps	- 76.0 bps	- 113.5 bps
10	- 5.3 bps	- 1.4 bps	- 2.2 bps	- 1.0 bps	+ 2.0 bps	+ 2.9 bps	- 62.9 bps	- 59.4 bps	- 88.7 bps
20	- 4.3 bps	- 1.6 bps	- 2.4 bps	+ 6.4 bps	+ 7.7 bps	+ 11.5 bps	- 37.7 bps	- 44.4 bps	- 66.2 bps
30	- 4.0 bps	- 2.2 bps	- 3.3 bps	+ 10.7 bps	+ 9.1 bps	+ 13.6 bps	- 28.8 bps	- 39.5 bps	- 59.0 bps

Data as of September 30, 2010

Yield and Swap Curves

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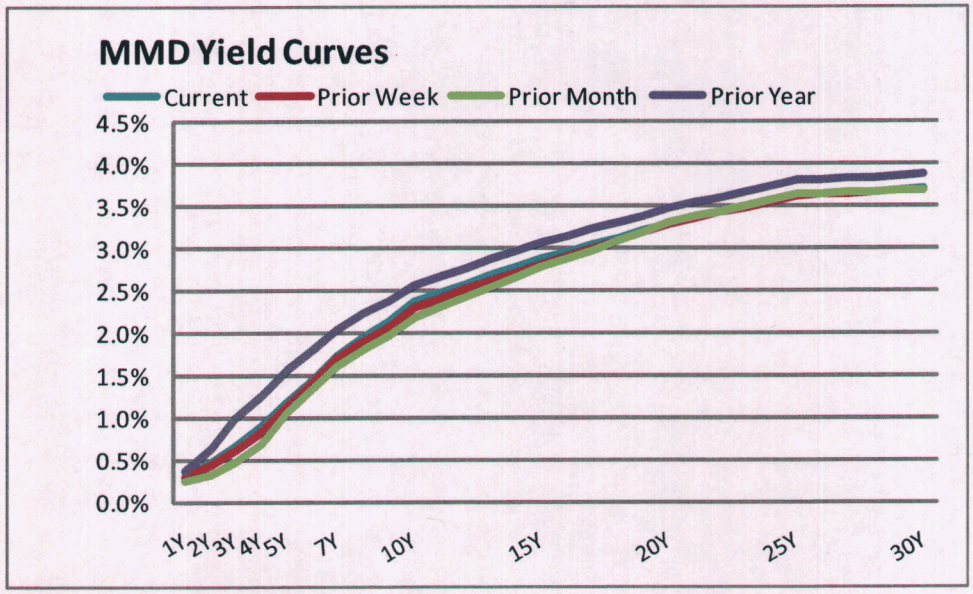
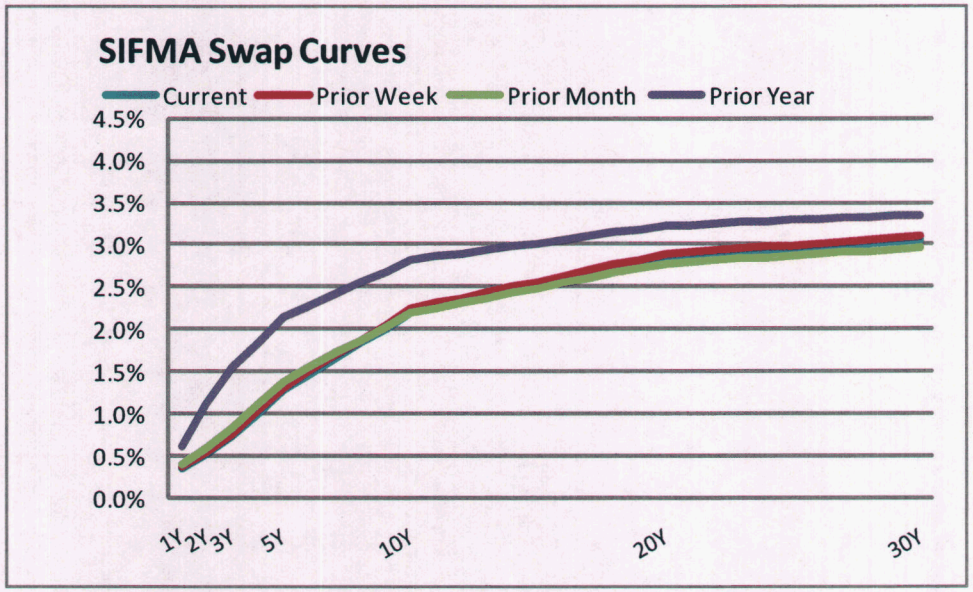
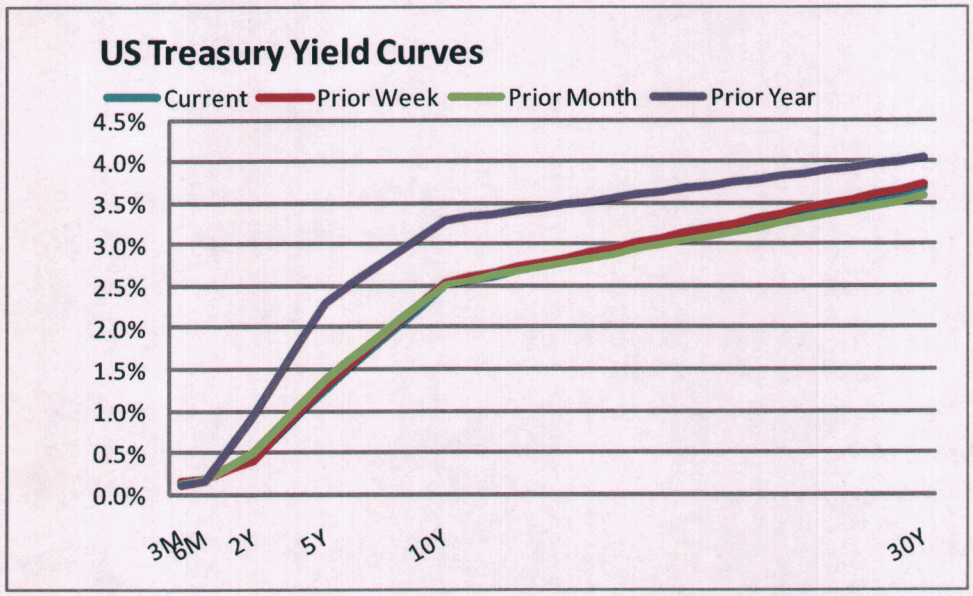
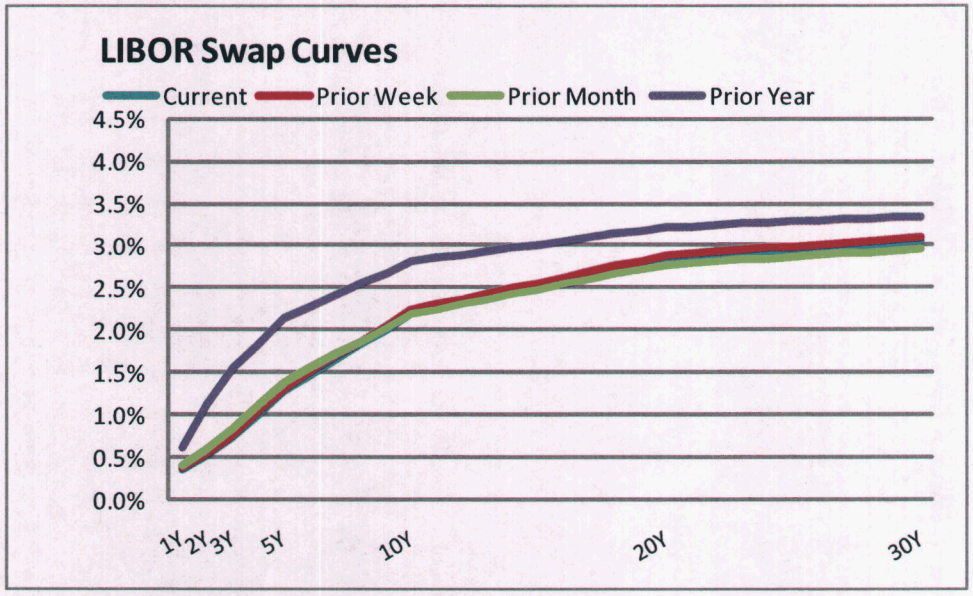




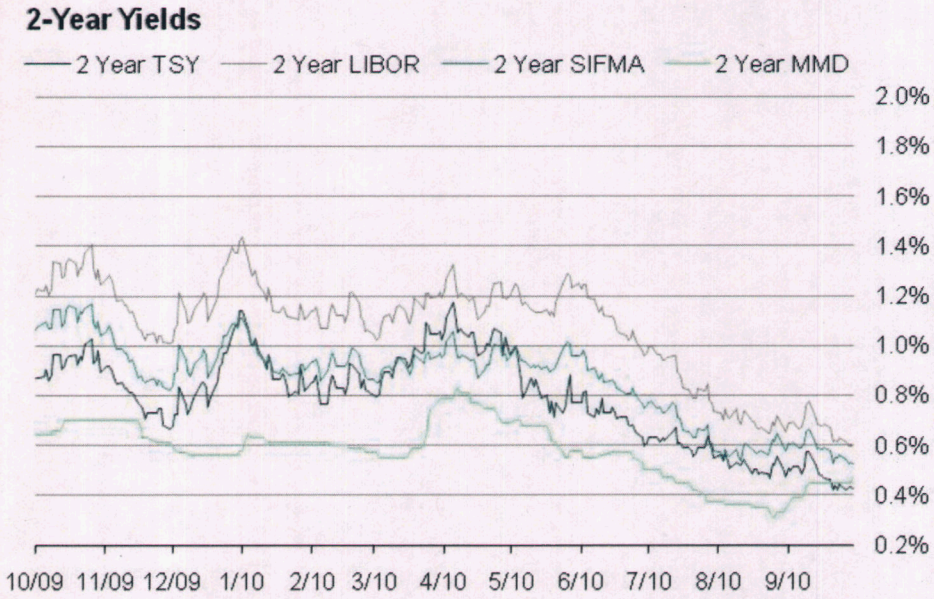


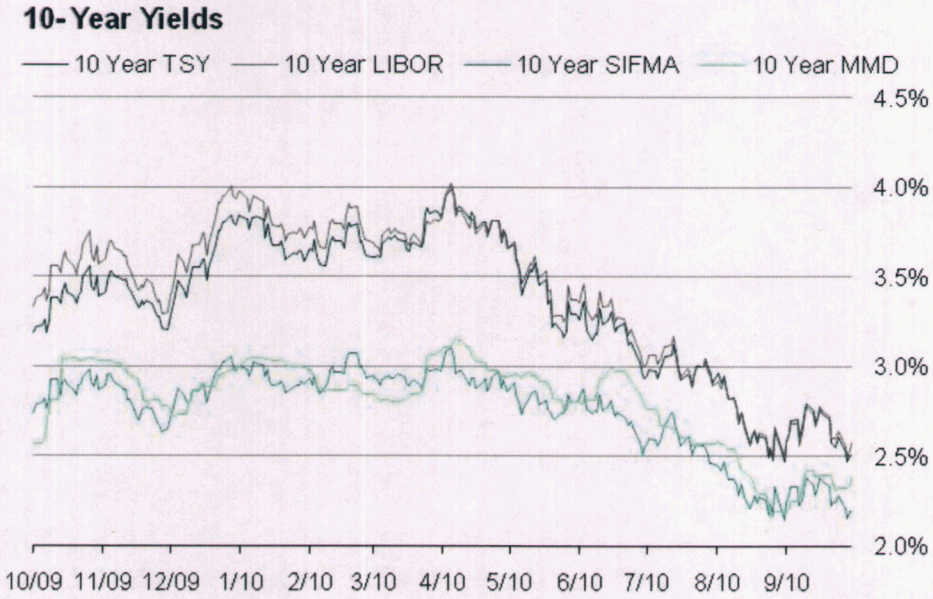


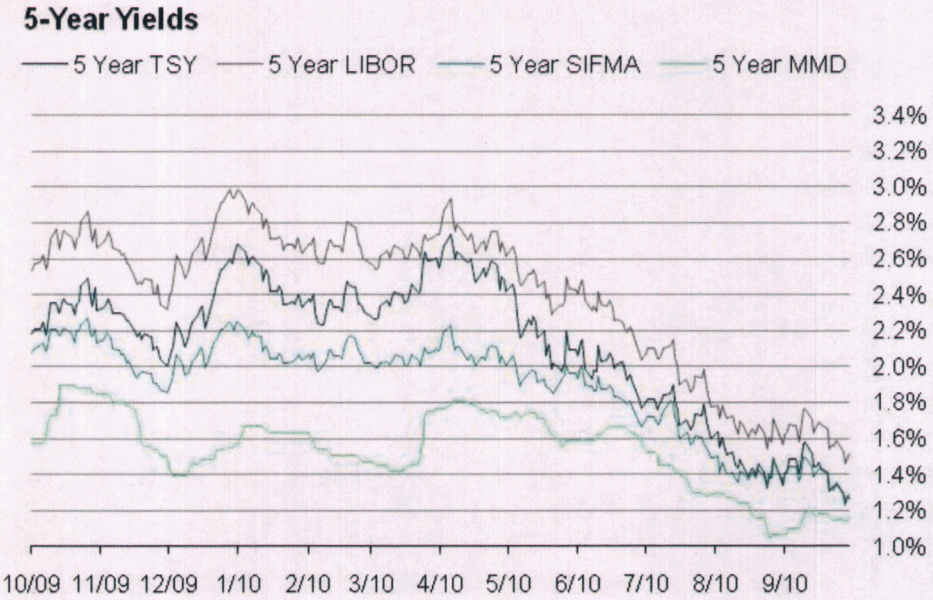
Data as of September 30, 2010

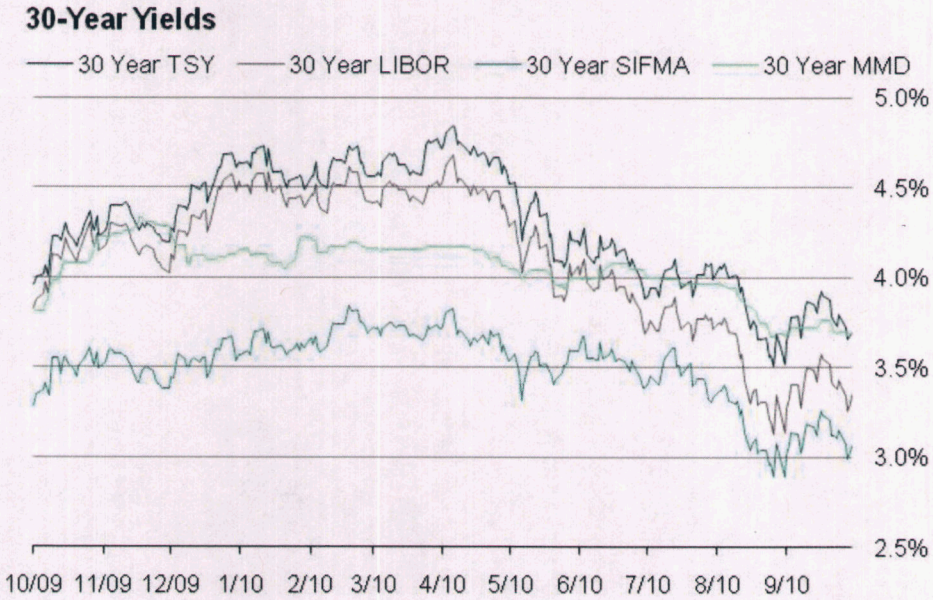
Yield Changes

Delivering More Than Power.™





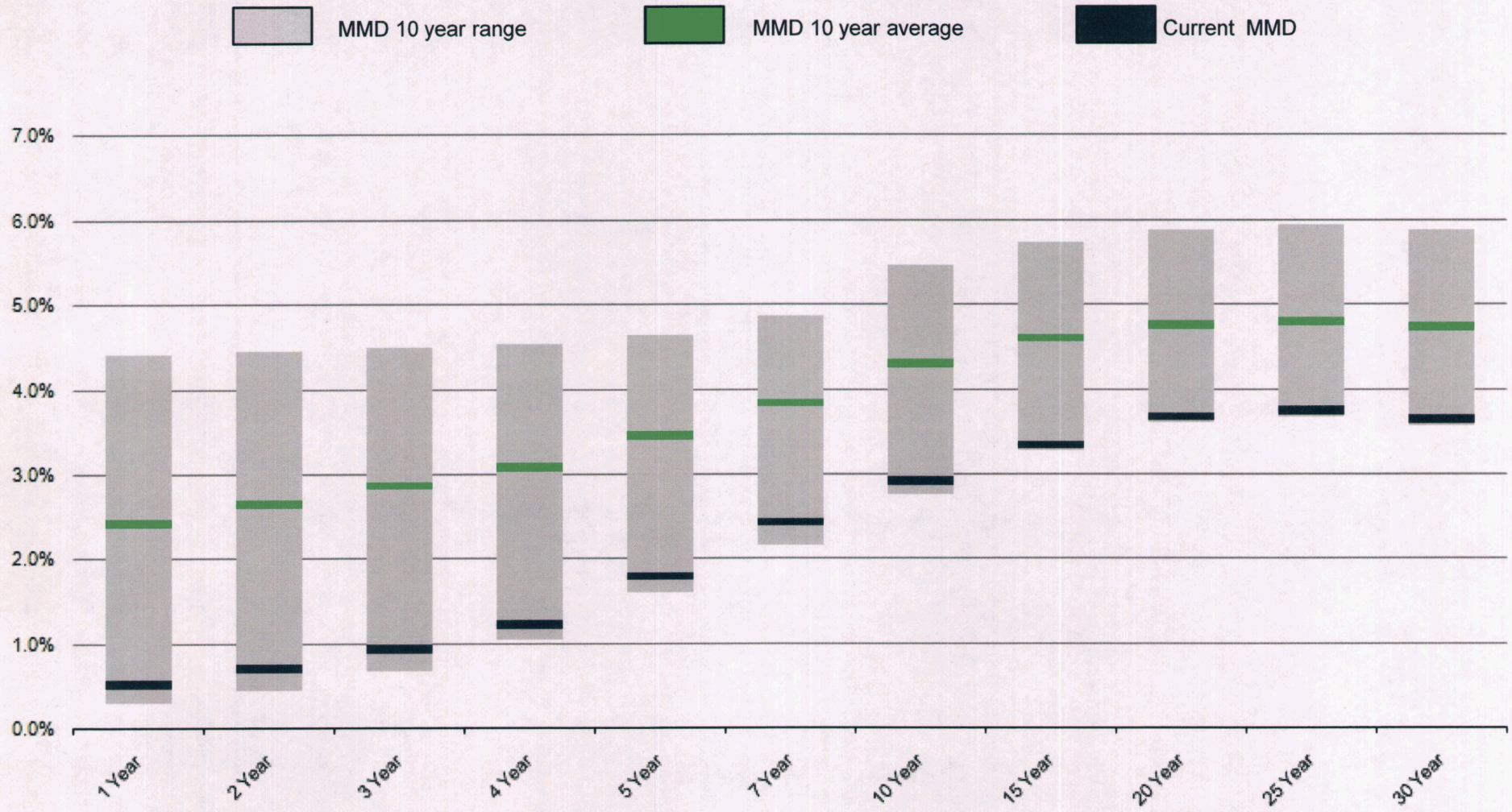




Data as of September 30, 2010

Current vs. Historical MMD Rates

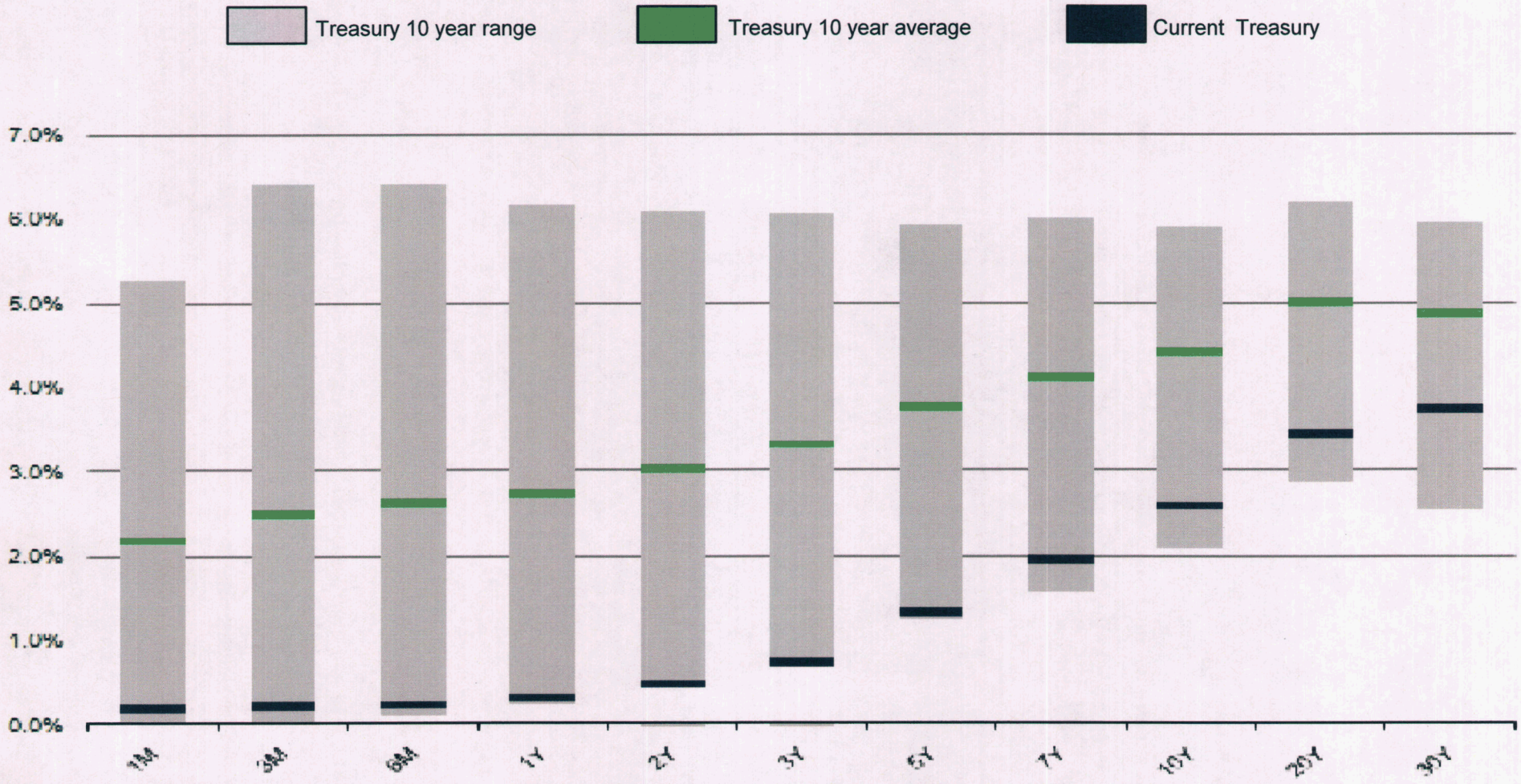
Delivering More Than Power.™



Data as of September 30, 2010

Current vs. Historical Treasury Rates

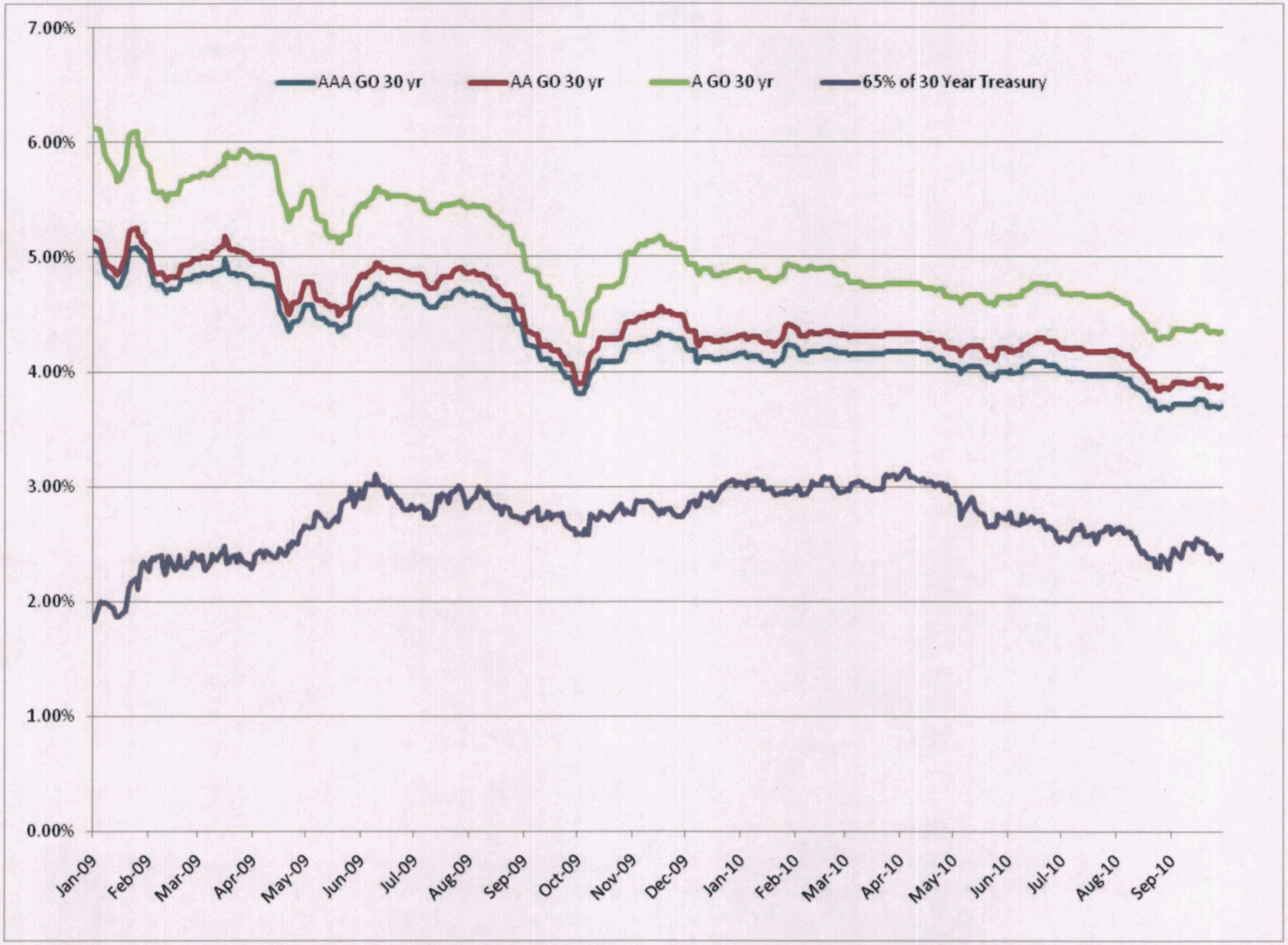
Delivering More Than Power.™



Data as of September 30, 2010

Credit Spreads

Delivering More Than Power.℠



Data as of September 30, 2010

Economic Calendar

Delivering More Than Power.™

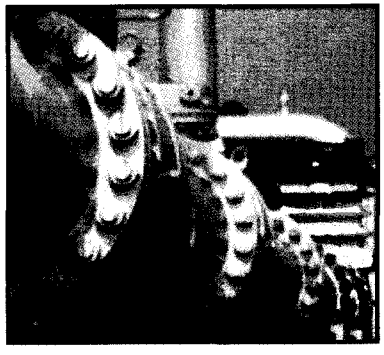
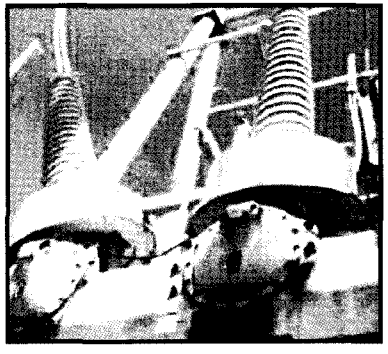
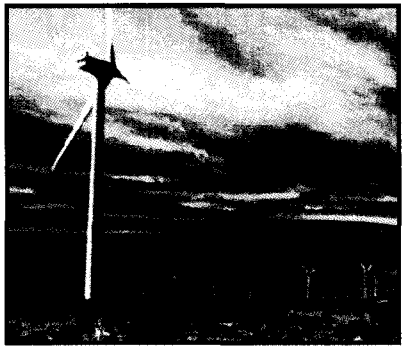
- Some volatility was added to the market the week of pricing. Unexpectedly, on Tuesday (September 28th), Meredith Whitney, a respected analyst, warned about over-stretched state budgets. Her comment that "states represent the new systemic risk to financial markets" caused investors to pause. Several lower rated issues had to re-scale their issue size based on reduced demand and necessarily higher rates.

- Below are the economic releases and results from the week of pricing:

Economic Calendar

Date	Time (ET)	Statistic	For	Actual	Briefing Forecast	Market Expects	Prior	Revised From
28-Sep	9:00 AM	Case-Shiller 20-city Index	Jul	3.18%	3.1%	3.3%	4.21%	4.23%
28-Sep	10:00 AM	Consumer Confidence	Sep	48.5	54	53	53.2	53.5
29-Sep	10:30 AM	Crude Inventories	25-Sep	.475M	NA	NA	0.970M	-
30-Sep	8:30 AM	GDP - Third Estimate	Q2	1.7%	1.6%	1.6%	1.6%	-
30-Sep	8:30 AM	GDP - Deflator	Q2	1.9%	1.9%	1.9%	1.9%	-
30-Sep	8:30 AM	Initial Claims	25-Sep	453K	450K	457K	469K	465K
30-Sep	8:30 AM	Continuing Claims	18-Sep	4457K	4450K	4450K	4540K	4489K
30-Sep	9:45 AM	Chicago PMI	Sep	60.4	55	56	56.7	-
1-Oct	8:30 AM	Personal Income	Aug	0.5%	0.3%	0.3%	0.2%	-
1-Oct	8:30 AM	Personal Spending	Aug	0.4%	0.3%	0.3%	0.4%	-
1-Oct	8:30 AM	PCE Prices - Core	Aug	0.1%	0.1%	0.1%	0.1%	-
1-Oct	9:55 AM	U Michigan Consumer Sentiment - Final	Sep	68.2	67.0	67.0	66.6	-
1-Oct	10:00 AM	Construction Spending	Aug	0.4%	-0.7%	-0.5%	-1.4%	-1.0%
1-Oct	10:00 AM	ISM Index	Sep	54.4	55	54.8	56.3	-
1-Oct	2:00 PM	Auto Sales	Sep	-	NA	3.8M	3.7M	-
1-Oct	2:00 PM	Truck Sales	Sep	-	NA	4.8M	4.96M	-

III. Pricing Results

Series 2010A
Build America Bonds

Delivering More Than Power.™

- The week prior to pricing, the general consensus for pricing was a range 115-125 bps over the 30 year Treasury.
- During the early part of pricing week, the consensus was that the spread could be tightened to 115 bps
- Formal pricing guidance was set at 115 bps and resulted in $768M in orders.
- Due to strong demand, an allocation strategy was devised and implemented.
- The following illustrates the top 10 investors (accounting for ~75% of the issue):

	ACCOUNT NAME	Order	Final Allocation	Percent of total	Cumulative percent
1	BLACKROCK	101,500,000	70,000,000	14.0%	14.0%
2	PRUDENTIAL MUTUAL FUNDS	82,000,000	65,000,000	13.0%	27.0%
3	NEW YORK LIFE INSURANCE CO	60,000,000	50,000,000	10.0%	37.0%
4	CUMBERLAND ADVISORS	50,000,000	35,000,000	7.0%	44.0%
5	JOHN HANCOCK MUTUAL	50,000,000	37,000,000	7.4%	51.4%
6	NORTHWESTERN MUTUAL LIFE INS	50,000,000	35,000,000	7.0%	58.4%
7	WELLINGTON MANAGEMENT COMPANY	36,000,000	25,000,000	5.0%	63.4%
8	PIMCO	30,500,000	30,500,000	6.1%	69.5%
9	ALLSTATE INSURANCE	25,000,000	15,000,000	3.0%	72.5%
10	EMIGRANT SAVINGS BANK	20,000,000	6,000,000	1.2%	73.7%

Visitied during SRP Roadshow

Series 2010A
Build America Bonds

Delivering More Than Power.™

- The following illustrates remaining investors for the 2010 A issue:

	ACCOUNT NAME	Order	Final Allocation	Percent of total	Cumulative percent
11	LOEWS CORPORATION	20,000,000	10,000,000	2.0%	75.7%
12	VIRIDIAN FINANCIAL MANAGEMENT	20,000,000	7,500,000	1.5%	77.2%
13	T ROWE PRICE/ATT: BOND DEPARTMENT	17,500,000	12,500,000	2.5%	79.7%
14	METLIFE	15,000,000	10,000,000	2.0%	81.7%
15	16TH AMENDMENT ADVISORS LLC	12,000,000	5,000,000	1.0%	82.7%
16	AMERICAN CENTURY INVESTMENTS	10,000,000	5,000,000	1.0%	83.7%
17	BLACK RIVER ASSET MANAGEMENT	10,000,000	2,000,000	0.4%	84.1%
18	CITIGROUP PROPRIETARY/MUNICIPAL ARBITRAGE	10,000,000	5,000,000	1.0%	85.1%
19	CLAREMONT CAPITL LLC	10,000,000	4,000,000	0.8%	85.9%
20	COLLINS STEWART ISTC	10,000,000	2,000,000	0.4%	86.3%
21	LORD ABBETT AND CO	10,000,000	7,000,000	1.4%	87.7%
22	MERRILL LYNCH TOB	10,000,000	3,000,000	0.6%	88.3%
23	NORTHERN TRUST GLOBAL INVMTS.	10,000,000	6,000,000	1.2%	89.5%
24	STATE STREET GLOBAL ADVISORS-/SSGA	10,000,000	6,000,000	1.2%	90.7%
25	MANUFACTURERS LIFE CANADA	8,000,000	4,000,000	0.8%	91.5%
26	REMBRANDT CAPITAL MANAGEMENT	7,500,000	1,000,000	0.2%	91.7%
27	IBC BANCORP	7,000,000	2,500,000	0.5%	92.2%
28	AGINCOURT, LTD	5,000,000	2,000,000	0.4%	92.6%
29	GRACIE CAPITAL - (GRCCP)	5,000,000	2,500,000	0.5%	93.1%
30	NORGES BANK INVESTMENT MGMT/(INDEX)	5,000,000	5,000,000	1.0%	94.1%
31	PENNSYLVANIA STATE EMPLOYEES/RETIREMENT SYSTEM	5,000,000	5,000,000	1.0%	95.1%
32	RSW INVESTMENTS LLC - (RSWI)	5,000,000	1,000,000	0.2%	95.3%
33	SOUTHWEST SECURITIES/(B2B SWST)	5,000,000	1,000,000	0.2%	95.5%
34	CENTRAL ASSET- GOLDMAN	5,000,000	2,000,000	0.4%	95.9%
35	FARMERS	5,000,000	2,000,000	0.4%	96.3%
36	WELLS FARGO BANK(NC) MUNICIPAL/DERIVATIVE GROUP	5,000,000	2,000,000	0.4%	96.7%
37	RETAIL - JP	4,100,000	1,575,000	0.3%	97.0%
38	VANGUARD INDEX FUND	4,000,000	4,000,000	0.8%	97.8%
39	MACKAY SHIELDS LLC	3,500,000	2,000,000	0.4%	98.2%
40	DEUTSCHE ASSET MANAGEMENT	2,000,000	2,000,000	0.4%	98.6%
41	OHIO PUBLIC EMPLOYEES/RETIREMENT SYSTEM	2,000,000	2,000,000	0.4%	99.0%
42	UBS GLOBAL ASSET MGMT	2,000,000	2,000,000	0.4%	99.4%
43	FLORIDA STATE BOARD OF ADMIN.	1,000,000	1,000,000	0.2%	99.6%
44	RAYJAY - JP	1,000,000	1,000,000	0.2%	99.8%
45	COLORADO PUBLIC EMPLOYEES/RETIREMENT	500,000	500,000	0.1%	99.9%
46	EDWARD D. JONES & COMPANY	500,000	100,000	0.0%	99.9%
47	SILVERLEAF CAPITAL ADVISORS	200,000	100,000	0.0%	100.0%
48	NUVEEN ADVISORY CORP/ATT TOM SPAULDING	125,000	125,000	0.0%	100.0%
49	TEACHERS INSURANCE & ANNUITY/ASSOC	100,000	100,000	0.0%	100.0%
		768,025,000	**500,000,000**	**100%**	

Series 2010B Tax-Exempt

Delivering More Than Power.™

- The week prior to pricing, it as determined that the maturities of the bonds should be changed from a January 1st date to the prior month, December 1st.
- The reasoning was:
  - Investors would view these December 1st bonds as a one-year shorter maturity.
  - Bonds would be benchmarked or "spread" to a shorter, lower MMD.
  - New benchmark would mean a reduced the cost of the issue to SRP.
- At the start of pricing week, initial pricing views were gathered:

Series 2010B: Initial Pricing Views (September 28, 2010)

				Institutional View		Syndicate View
Maturity	Par	Coupon	MMD	Yield	Spread to MMD	Average
12/1/2014	8,920	4.00%	0.840%	1.010%	17 bps	17 bps
12/1/2016	6,860	2.00%	1.420%	1.620%	20 bps	19 bps
12/1/2016	10,000	5.00%	1.420%	1.620%	20 bps	19 bps
12/1/2017	5,740	3.00%	1.700%	1.920%	22 bps	21 bps
12/1/2017	10,000	5.00%	1.700%	1.920%	22 bps	21 bps
12/1/2018	10,155	4.00%	1.940%	2.180%	24 bps	22 bps
12/1/2018	11,000	5.00%	1.940%	2.180%	24 bps	22 bps
12/1/2019	10,000	3.00%	2.140%	2.410%	27 bps	24 bps
12/1/2019	33,825	5.00%	2.140%	2.410%	27 bps	24 bps
12/1/2020	10,000	2.50%	2.320%	2.570%	25 bps	24 bps
12/1/2020	13,050	5.00%	2.320%	2.570%	25 bps	24 bps
12/1/2021	10,000	4.00%	2.470%	2.770%	30 bps	27 bps
12/1/2021	25,310	5.00%	2.470%	2.770%	30 bps	27 bps
12/1/2022	13,235	5.00%	2.590%	2.890%	30 bps	28 bps
12/1/2025	3,935	3.00%	2.830%	3.150%	32 bps	30 bps
12/1/2025	10,000	5.00%	2.830%	3.150%	32 bps	30 bps
12/1/2026	12,035	5.00%	2.910%	3.230%	32 bps	30 bps
12/1/2027	10,220	5.00%	3.000%	3.320%	32 bps	30 bps
	214,285					

Series 2010B
Tax-Exempt

Delivering More Than Power.™

- Based on these pricing views, and conversations and discussions with the team, the following pricing views were transmitted at the start of retail pricing:

Series 2010B: Initial Pricing Views (September 28, 2010)

				Retail View (1st Wire)	
Maturity	Par	Coupon	MMD	Yield	Spread to MMD
12/1/2014	8,920	4.00%	0.840%	0.990%	15 bps
12/1/2016	6,860	2.00%	1.420%	1.600%	18 bps
12/1/2016	10,000	5.00%	1.420%	1.600%	18 bps
12/1/2017	5,740	3.00%	1.700%	1.900%	20 bps
12/1/2017	10,000	5.00%	1.700%	1.900%	20 bps
12/1/2018	10,155	4.00%	1.940%	2.160%	22 bps
12/1/2018	11,000	5.00%	1.940%	2.160%	22 bps
12/1/2019	10,000	3.00%	2.140%	2.390%	25 bps
12/1/2019	33,825	5.00%	2.140%	2.390%	25 bps
12/1/2020	10,000	2.50%	2.320%	2.570%	25 bps
12/1/2020	13,050	5.00%	2.320%	2.570%	25 bps
12/1/2021	10,000	4.00%	2.470%	2.750%	28 bps
12/1/2021	25,310	5.00%	2.470%	2.750%	28 bps
12/1/2022	13,235	5.00%	2.590%	2.890%	30 bps
12/1/2025	3,935	3.00%	2.830%	3.130%	30 bps
12/1/2025	10,000	5.00%	2.830%	3.130%	30 bps
12/1/2026	12,035	5.00%	2.910%	3.210%	30 bps
12/1/2027	10,220	5.00%	3.000%	3.300%	30 bps
	214,285				

Series 2010B
Tax-Exempt

Delivering More Than Power.™

- Approximately $86M in orders were received.
- As illustrated below, there was limited demand for selected intermediate and longer maturities at the retail level:

Series 2010B: Retail Pricing Period Results (September 29, 2010)

Maturity	Updated Par	Coupon	Orders	Balance
12/1/2014	9,435	4.00%	6,260	3,175
12/1/2016	805	2.00%	805	-
12/1/2016	16,380	5.00%	7,200	9,180
12/1/2017	315	3.00%	315	-
12/1/2017	15,710	5.00%	5,460	10,250
12/1/2018	10,495	4.00%	10,495	-
12/1/2018	11,000	5.00%	11,000	-
12/1/2019	1,335	3.00%	1,335	-
12/1/2019	42,670	5.00%	11,000	31,670
12/1/2020	940	2.50%	940	-
12/1/2020	22,380	5.00%	13,150	9,230
12/1/2021	1,525	4.00%	1,525	-
12/1/2021	33,885	5.00%	-	33,885
12/1/2022	13,560	5.00%	2,280	11,280
12/1/2025	2,245	3.00%	2,245	-
12/1/2025	11,400	5.00%	950	10,450
12/1/2026	12,100	5.00%	200	11,900
12/1/2027	10,480	5.00%	10,480	-
	216,660		85,640	131,020

Series 2010B
Tax-Exempt

Delivering More Than Power.™

- As the order period transitioned to institutional investors, feedback indicated that yields would have to be adjusted upward to capture sufficient institutional demand.
- The following table provides the recommended yield increases for the initial institutional pricing wire:

			Repricing Results (September 30, 2010)	
Maturity	Updated Par	Coupon	Updated Yield	Change (from initial retail spread to MMD)
12/1/2014	9,435	4.00%	0.99%	0 bps
12/1/2016	805	2.00%	1.62%	2 bps
12/1/2016	16,380	5.00%	1.62%	2 bps
12/1/2017	315	3.00%	1.93%	3 bps
12/1/2017	15,710	5.00%	1.93%	3 bps
12/1/2018	10,495	4.00%	2.20%	4 bps
12/1/2018	11,000	5.00%	2.20%	4 bps
12/1/2019	1,335	3.00%	2.44%	5 bps
12/1/2019	42,670	5.00%	2.44%	5 bps
12/1/2020	940	2.50%	2.62%	5 bps
12/1/2020	22,380	5.00%	2.62%	5 bps
12/1/2021	1,525	4.00%	2.80%	5 bps
12/1/2021	33,885	5.00%	2.80%	5 bps
12/1/2022	13,560	5.00%	2.94%	5 bps
12/1/2025	2,245	3.00%	3.18%	5 bps
12/1/2025	11,400	5.00%	3.18%	5 bps
12/1/2026	12,100	5.00%	3.26%	5 bps
12/1/2027	10,480	5.00%	3.33%	3 bps
	216,660			

Series 2010B Tax-Exempt

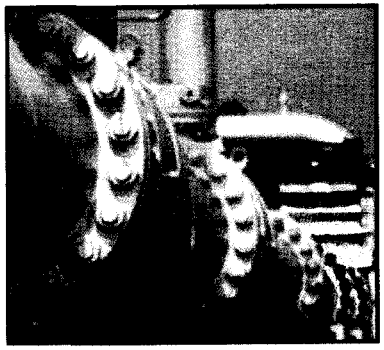
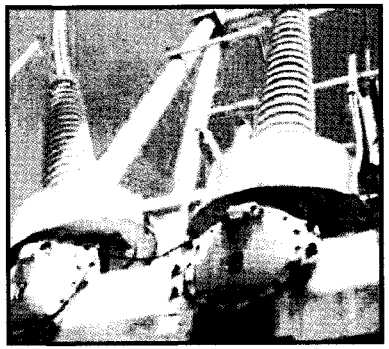
Delivering More Than Power.™

- There was moderate institutional demand at the re-priced levels with a number of maturities having unsold balances (particularly 2019 to 2022).
- The Underwriter proposed underwriting the bonds at a slight increase in certain maturities and was confident that investors would commit to purchase with these adjustments, or that they would underwrite the unsold balances.
- PFM was in agreement.
- The following table contains the adjustments and the final levels:

2010 Series B Tax-Exempt Bonds

Maturity	Amount (000)	Coupon	Final BP Adjustment	Yield to worst	30 Sept MMD	Spread to 30 Sept MMD
12/1/2014	9,450,000	4.000%	0 bps	0.99%	0.8900%	10 bps
12/1/2016	805,000	2.000%	0 bps	1.62%	1.4600%	16 bps
12/1/2016	16,390,000	5.000%	0 bps	1.62%	1.4600%	16 bps
12/1/2017	315,000	3.000%	0 bps	1.93%	1.7400%	19 bps
12/1/2017	15,715,000	5.000%	0 bps	1.93%	1.7400%	19 bps
12/1/2018	10,510,000	4.000%	0 bps	2.20%	1.9900%	21 bps
12/1/2018	11,000,000	5.000%	0 bps	2.20%	1.9900%	21 bps
12/1/2019	1,335,000	3.000%	3 bps	2.47%	2.2000%	27 bps
12/1/2019	42,670,000	5.000%	3 bps	2.47%	2.2000%	27 bps
12/1/2020	940,000	2.500%	3 bps	2.65%	2.3800%	27 bps
12/1/2020	22,405,000	5.000%	3 bps	2.65%	2.3800%	27 bps
12/1/2021	1,525,000	4.000%	3 bps	2.83%	2.5300%	30 bps
12/1/2021	33,885,000	5.000%	3 bps	2.83%	2.5300%	30 bps
12/1/2022	13,585,000	5.000%	1 bps	2.95%	2.6400%	31 bps
12/1/2025	2,245,000	3.000%	1 bps	3.19%	2.8700%	32 bps
12/1/2025	11,400,000	5.000%	1 bps	3.19%	2.8700%	32 bps
12/1/2026	12,105,000	5.000%	1 bps	3.27%	2.9500%	32 bps
12/1/2027	10,505,000	5.000%	1 bps	3.34%	3.0300%	31 bps

III. Transaction Highlights

Investor Confidence Essential

Delivering More Than Power.™

- Best Credits Participate Fully in the Interest Rate Rally
- Taxable Investor Learning Curve in the Muni Market
- SRP Implements a Proactive Investor Education Strategy
- Meetings Command Investor Attention and Focus
- Investors Position SRP Relative to Other Power Credits
- SRP Comes Out on Top by Comparison

Marketing Delivers SRP Message and Results

SRP Delivering More Than Power.™

- Highlighting Strengths and Addressing Concerns

Strengths	Concerns
conservative financial history	*economic challenges*
strong financial metrics	*environmental uncertainty*
effective innovation	

- SRP Meets With the World's Largest Bond Investors

PIMCO	*Blackrock*	*Vanguard*
John Hancock	*NY Life*	*Prudential*

- Selling Strong Credit, as Opposed to High Yield
- Strong Demand from Credit Conscious Investors
- ***Investor meetings produced $364M in orders (~47% or total orders)***

Top Credit, Strong Market, Record Results

Delivering More Than Power.™

- Low Treasury Bond Rates – 30-YR Treasuries Below 3.70%
- Improving Credit Spreads – Near + 1.25% for AA Bonds
- Gross Taxable Build America Bond Rates Below 5.00%
- Delivering Net Rates of Roughly 3.25% for 30-YR Bonds

SRP Achieves Lowest Public Power BAB Rate to Date!

SRP Build America Results	
30 Year Treasury Rate	3.689%
SRP Spread to Treasury	1.150%
Gross BAB Bond Rate	4.839%
Net of 35% Subsidy	3.145%

Top Credit, Strong Market, Record Results

SRP Delivering More Than Power.℠

- Lowest Ever Public Power BAB Rates by ~0.40%
- $70B Total Long-Term BABs to Date, ~900 Separate Bonds
- Only 4 Issues (all w/ AAA ratings) Had Lower Rates

Recent Public Power Build America Results				
Issuer	Sale Date	Rating	Spread	Net Rate
SRP	9/29/2010	Aa1/AA/ -	T + 115 BP	3.145%
Colorado Springs Water	9/29/2010	Aa2/AA/AA	T + 185 BP	3.600%
Nebraska Pub Power	9/29/2010	A1/A/A+	T + 175 BP	3.525%
JEA, FL	9/29/2010	Aa2/AA-/AA-	T + 180 BP	3.563%
Indiana Muni Power	9/29/2010	A1/A+/A+	T + 190 BP	3.630%
Amer Muni Power Ohio	9/22/2010	A1/A/A	T + 220 BP	3.860%
So Cal Public Power	9/15/2010	- /AA-/AA-	T + 205 BP	3.848%
Colorado Springs	9/9/2010	Aa2/AA/AA	T + 160 BP	3.554%
Oklahoma Muni Power	7/28/2010	A2/A/ -	T + 225 BP	4.101%
Sacramento Muni Pow	7/21/2010	A1/A+/A	T + 225 BP	4.001%

- *0.40% on $500MM Over 30 Years = $60 Million of Savings*

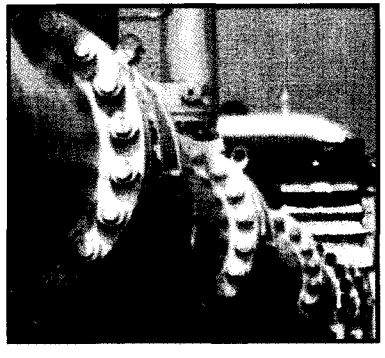
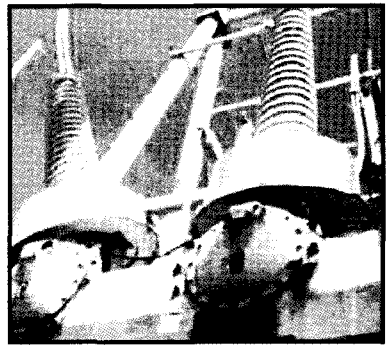
SRP's Lowest Ever Tax-Exempt Rates

Delivering More Than Power.™

- Lowest Ever SRP Tax-Exempt Bond Rates
- 2.60% Arbitrage Yield
- $28.4 MM NPV Savings, $36.4 MM Total Savings

Recent Tax-Exempt 10 Year Bond Results			
Issuer	Pricing	Rating	Net Rate
SRP	9/30/2010	Aa1/AA/ -	2.650%
Imperial Irr Dist, CA	9/30/2010	Aa2/AA/ -	2.690%
Indiana Muni Power	9/28/2010	A1/A+/A+	3.020%
Nebraska Pub Power	9/28/2010	A1/A/A+	2.870%
JEA, FL (Subordinate)	9/28/2010	Aa3/A+/AA-	3.370%
JEA, FL	9/28/2010	Aa2/AA-/AA-	2.950%
Roseville Electric, CA	9/28/2010	- /A+/A+	3.120%
State of Ohio, GO	9/28/2010	Aa1/AA+/AA+	2.720%
Puerto Rico Elec Power	9/28/2010	A3/BBB+/BBB	3.550%
AZ Trans Board	9/28/2010	Aa1/AA+/ -	2.620%
Dallas Rapid Transit	9/28/2010	Aa/AA+/ -	2.670%

IV. Pricing Comparables

Comparable Transactions (Week of Pricing)
Taxable Bonds (BABs)

Delivering More Than Power.™

JOHNSON CNTY KANS PUB BLDG COM Pricing Analysis

Dated Date: 10/28/10
Sale Date: 9/30/10

Johnson Cnty Pub Bld BABs

Maturity Date	Maturity Year	Bond Type	Par Amount	Coupon	Yield (ROY)	Price	Treasury	Yield	Taxable Spread	Call Type	Call Price/Prem
9/1/11	1.0	Serial	640,000	0.850%	0.850%	100.000	2yr	0.426%	42 bps	9/1/2011	100.0
9/1/12	2.0	Serial	600,000	1.250%	1.250%	100.000	2yr	0.426%	82 bps	9/1/2012	100.0
9/1/13	3.0	Serial	605,000	1.500%	1.500%	100.000	3yr	0.630%	87 bps	9/1/2013	100.0
9/1/14	4.0	Serial	620,000	1.700%	1.700%	100.000	5yr	1.265%	44 bps	9/1/2014	100.0
9/1/15	5.0	Serial	620,000	2.100%	2.100%	100.000	5yr	1.265%	84 bps	9/1/2015	100.0
9/1/16	6.0	Serial	625,000	2.400%	2.400%	100.000	5yr	1.265%	114 bps	9/1/2016	100.0
9/1/17	7.0	Serial	645,000	2.600%	2.600%	100.000	7yr	1.907%	69 bps	9/1/2017	100.0
9/1/18	8.0	Serial	650,000	2.850%	2.850%	100.000	10yr	2.512%	34 bps	9/1/2018	100.0
9/1/19	9.0	Serial	665,000	3.350%	3.350%	100.000	10yr	2.512%	84 bps	9/1/2019	100.0
9/1/20	10.0	Serial	685,000	3.500%	3.500%	100.000	10yr	2.512%	99 bps	9/1/2020	100.0
9/1/21	11.0	Serial	700,000	3.700%	3.700%	100.000	10yr	2.512%	119 bps	9/1/2020	100.0
9/1/22	12.0	Serial	715,000	3.900%	3.900%	100.000	10yr	2.512%	139 bps	9/1/2020	100.0
9/1/23	13.0	Serial	730,000	4.200%	4.200%	100.000	10yr	2.512%	169 bps	9/1/2020	100.0
9/1/24	14.0	Serial	755,000	4.300%	4.300%	100.000	10yr	2.512%	179 bps	9/1/2020	100.0
9/1/25	15.0	Serial	775,000	4.500%	4.500%	100.000	10yr	2.512%	199 bps	9/1/2020	100.0
9/1/26	16.0	Serial	795,000	4.600%	4.600%	100.000	30yr	3.686%	91 bps	9/1/2020	100.0
9/1/27	17.0	Serial	820,000	4.700%	4.700%	100.000	30yr	3.686%	101 bps	9/1/2020	100.0
9/1/28	18.0	Serial	845,000	4.800%	4.800%	100.000	30yr	3.686%	111 bps	9/1/2020	100.0
9/1/29	19.0	Serial	865,000	4.900%	4.900%	100.000	30yr	3.686%	121 bps	9/1/2020	100.0
9/1/30	20.0	Serial	895,000	5.000%	5.000%	100.000	30yr	3.686%	131 bps	9/1/2020	100.0
Issuance Par:			14,250,000								
Average Life:			11.0 years								

Type of Sale:	COMPETITIVE	Call Type	9/1/2020	Ratings	Underlying
Underwriter:	WELLS FARGO ADVISORS	Call Price/Prem.	100	Moody's:	Aaa
Financial Advisor:	SPRINGSTED INCORPORATED			S & P:	AAA
Tax Status:	Taxable			Fitch:	AA+

Comparable Transactions (Week of Pricing) Taxable Bonds (BABs)

Delivering More Than Power.™

SALT LAKE CNTY UTAH TRANSN TAX Pricing Analysis

Dated Date: 10/7/10
Sale Date: 9/28/10

Salt Lake County UT BABs

Maturity Date	Maturity Year	Bond Type	Par Amount	Coupon	Yield (ROY)	Price	Treasury	Yield	Taxable Spread	Call Type	Call Price/Prem
8/15/19	9.0	Serial	6,325,000	3.358%	3.358%	100.000	10yr	2.467%	89 bps	MWC	15.0
8/15/20	10.0	Serial	6,895,000	3.458%	3.458%	100.000	10yr	2.467%	99 bps	MWC	15.0
8/15/21	11.0	Serial	7,265,000	3.608%	3.608%	100.000	10yr	2.467%	114 bps	MWC	20.0
8/15/22	12.0	Serial	7,995,000	3.758%	3.758%	100.000	10yr	2.467%	129 bps	MWC	20.0
8/15/25	15.0	Serial	29,155,000	4.308%	4.308%	100.000	10yr	2.467%	184 bps	MWC	30.0
Issuance Par:			57,635,000								
Average Life:			12.7 years								

Type of Sale: NEGOTIATED
Underwriter: MORGAN STANLEY
Bond Counsel: BALLARD SPAHR LLP
Tax Status: Taxable

Call Type: MWC
Call Price/Prem.: 15

Ratings	Underlying
Moody's:	
S & P:	AAA
Fitch:	AA

Comparable Transactions (Week of Pricing) Taxable Bonds (BABs)

Delivering More Than Power.™

DENVER COLO CITY & CNTY WTR CO Pricing Analysis

Dated Date: 10/7/10
Sale Date: 9/29/10

Denver CO Water BABs

Maturity Date	Maturity Year	Bond Type	Par Amount	Coupon	Yield (ROY)	Price	Treasury	Yield	Taxable Spread	Call Type	Call Price/Prem
12/15/17	7.0	Serial	2,670,000	2.625%	2.400%	101.475	7yr	1.876%	52 bps	12/15/2017	100.0
12/15/18	8.0	Serial	2,720,000	2.875%	2.700%	101.275	10yr	2.505%	20 bps	12/15/2018	100.0
12/15/19	9.0	Serial	2,780,000	3.375%	3.200%	101.380	10yr	2.505%	70 bps	12/15/2019	100.0
12/15/20	10.0	Serial	2,840,000	3.500%	3.350%	101.282	10yr	2.505%	85 bps	12/15/2020	100.0
12/15/21	11.0	Serial	2,910,000	3.550%	3.550%	100.000	10yr	2.505%	105 bps	12/15/2020	100.0
12/15/22	12.0	Serial	2,980,000	3.750%	3.750%	100.000	10yr	2.505%	125 bps	12/15/2020	100.0
12/15/23	13.0	Serial	3,055,000	4.000%	4.000%	100.000	10yr	2.505%	150 bps	12/15/2020	100.0
12/15/24	14.0	Serial	3,140,000	4.150%	4.150%	100.000	10yr	2.505%	165 bps	12/15/2020	100.0
12/15/25	15.0	Serial	3,230,000	4.300%	4.300%	100.000	10yr	2.505%	180 bps	12/15/2020	100.0
12/15/26	16.0	Serial	3,330,000	4.400%	4.400%	100.000	30yr	3.685%	72 bps	12/15/2020	100.0
12/15/27	17.0	Serial	3,430,000	4.550%	4.550%	100.000	30yr	3.685%	87 bps	12/15/2020	100.0
12/15/28	18.0	Serial	3,540,000	4.650%	4.650%	100.000	30yr	3.685%	97 bps	12/15/2020	100.0
12/15/29	19.0	Serial	3,660,000	4.750%	4.750%	100.000	30yr	3.685%	107 bps	12/15/2020	100.0
12/15/30	20.0	Serial	3,780,000	4.850%	4.850%	100.000	30yr	3.685%	117 bps	12/15/2020	100.0
12/15/33	23.0	Serial	12,150,000	5.000%	5.000%	100.000	30yr	3.685%	132 bps	12/15/2020	100.0
12/15/35	25.0	Serial	8,835,000	5.050%	5.050%	100.000	30yr	3.685%	137 bps	12/15/2020	100.0
12/15/37	27.0	Serial	9,465,000	5.100%	5.100%	100.000	30yr	3.685%	142 bps	12/15/2020	100.0
12/15/40	30.0	Serial	15,485,000	5.170%	5.170%	100.000	30yr	3.685%	149 bps	12/15/2020	100.0
Issuance Par:			90,000,000								
Average Life:			20.6 years								

Type of Sale: COMPETITIVE
Underwriter: STIFEL NICOLAUS & CO
Bond Counsel: PECK SHAFFER & WILLIAMS
Financial Advisor: PIPER JAFFRAY COMPANIES
Tax Status: Taxable

Call Type 12/15/2020
Call Price/Prem. 100

Ratings	Underlying
Moody's:	Aa1
S & P:	AAA
Fitch:	AAA

Comparable Transactions (Week of Pricing)
Taxable Bonds (BABs)

Delivering More Than Power.™

ST LOUIS CNTY MO SPL OBLIG Pricing Analysis

Dated Date: 10/15/10
Sale Date: 9/28/10

St Louis Special Ob. BABs

Maturity Date	Maturity Year	Bond Type	Par Amount	Coupon	Yield (ROY)	Price	Treasury	Yield	Taxable Spread	Call Type	Call Price/Prem
12/1/19	9.0	Serial	125,000	3.450%	3.450%	100.000	10yr	2.467%	98 bps	12/1/2019	100.0
12/1/20	10.0	Serial	425,000	3.600%	3.600%	100.000	10yr	2.467%	113 bps	12/1/2020	100.0
12/1/21	11.0	Serial	435,000	3.800%	3.800%	100.000	10yr	2.467%	133 bps	12/1/2020	100.0
12/1/22	12.0	Serial	450,000	4.000%	4.000%	100.000	10yr	2.467%	153 bps	12/1/2020	100.0
12/1/23	13.0	Serial	460,000	4.200%	4.200%	100.000	10yr	2.467%	173 bps	12/1/2020	100.0
12/1/24	14.0	Serial	470,000	4.400%	4.400%	100.000	10yr	2.467%	193 bps	12/1/2020	100.0
12/1/25	15.0	Serial	485,000	4.600%	4.600%	100.000	10yr	2.467%	213 bps	12/1/2020	100.0
12/1/26	16.0	Serial	500,000	4.750%	4.750%	100.000	30yr	3.659%	109 bps	12/1/2020	100.0
12/1/27	17.0	Serial	515,000	4.875%	4.875%	100.000	30yr	3.659%	122 bps	12/1/2020	100.0
12/1/28	18.0	Serial	530,000	5.000%	5.000%	100.000	30yr	3.659%	134 bps	12/1/2020	100.0
12/1/29	19.0	Serial	550,000	5.000%	5.100%	98.781	30yr	3.659%	144 bps	12/1/2020	100.0
12/1/30	20.0	Serial	565,000	5.100%	5.200%	98.754	30yr	3.659%	154 bps	12/1/2020	100.0
12/1/32	22.0	Serial	1,190,000	5.200%	5.300%	98.699	30yr	3.659%	164 bps	12/1/2020	100.0
12/1/35	25.0	Serial	1,940,000	5.300%	5.400%	98.626	30yr	3.659%	174 bps	12/1/2020	100.0
Issuance Par:			8,640,000								
Average Life:			18.4 years								

Type of Sale: COMPETITIVE
Underwriter: STIFEL NICOLAUS & CO
Bond Counsel: THOMPSON COBURN
Financial Advisor: COLUMBIA CAPITAL MGMT LLC
Tax Status: Taxable

Call Type 12/1/2020
Call Price/Prem. 100

Ratings	Underlying
Moody's:	Aa1
S & P:	AA+
Fitch:	

Comparable Transactions (Week of Pricing)
Taxable Bonds (BABs)

Delivering More Than Power.™

JEA FLA ELEC SYS REV Pricing Analysis

Dated Date: 10/21/10
Sale Date: 9/30/10

JEA 2010E BABs

Maturity Date	Maturity Year	Bond Type	Par Amount	Coupon	Yield (ROY)	Price	Treasury	Yield	Taxable Spread	Call Type	Call Price/Prem
10/1/30	20.0	Serial	6,840,000	5.350%	5.350%	100.000	30yr	3.686%	166 bps	MWC	30.0
10/1/40	30.0	Serial	27,415,000	5.482%	5.482%	100.000	30yr	3.686%	180 bps	MWC	30.0
Issuance Par:			34,255,000								
Average Life:			27.9 years								

Type of Sale:	NEGOTIATED	Call Type	MWC	Ratings	Underlying
Underwriter:	GOLDMAN SACHS & COMPANY	Call Price/Prem.	30	Moody's:	Aa2
Bond Counsel:	ROGERS TOWERS PA			S & P:	AA-
Financial Advisor:	PUBLIC FINANCIAL MGMT			Fitch:	AA-
Tax Status:	Taxable				

Comparable Transactions (Week of Pricing)
Taxable Bonds (BABs)

Delivering More Than Power.™

COLORADO SPRINGS COLO UTILS Pricing Analysis

Dated Date: 10/12/10
Sale Date: 9/29/10

BABs Colorado Springs CO

Maturity Date	Maturity Year	Bond Type	Par Amount	Coupon	Yield (ROY)	Price	Treasury	Yield	Taxable Spread	Call Type	Call Price/Prem
11/15/18	8.0	Serial	3,055,000	3.397%	3.397%	100.000	10yr	2.505%	89 bps	11/15/2018	100.0
11/15/19	9.0	Serial	3,120,000	3.497%	3.497%	100.000	10yr	2.505%	99 bps	11/15/2019	100.0
11/15/20	10.0	Serial	3,190,000	3.647%	3.647%	100.000	10yr	2.505%	114 bps	11/15/2020	100.0
11/15/21	11.0	Serial	3,270,000	3.897%	3.897%	100.000	10yr	2.505%	139 bps	11/15/2020	100.0
11/15/22	12.0	Serial	3,350,000	4.097%	4.097%	100.000	10yr	2.505%	159 bps	11/15/2020	100.0
11/15/23	13.0	Serial	3,440,000	4.347%	4.347%	100.000	10yr	2.505%	184 bps	11/15/2020	100.0
11/15/24	14.0	Serial	3,535,000	4.547%	4.547%	100.000	10yr	2.505%	204 bps	11/15/2020	100.0
11/15/25	15.0	Serial	3,640,000	4.697%	4.697%	100.000	10yr	2.505%	219 bps	11/15/2020	100.0
11/15/30	20.0	Serial	20,105,000	5.338%	5.338%	100.000	30yr	3.685%	165 bps	11/15/2020	100.0
11/15/40	30.0	Serial	52,440,000	5.538%	5.538%	100.000	30yr	3.685%	185 bps	11/15/2020	100.0
11/15/50	40.0	Serial	75,150,000	5.738%	5.738%	100.000	30yr	3.685%	205 bps	11/15/2020	100.0
Issuance Par:			174,295,000								
Average Life:			30.4 years								

Type of Sale:	NEGOTIATED	Call Type	11/15/2020	Ratings	Underlying
Underwriter:	BANC OF AMERICA MERRILL	Call Price/Prem.	100	Moody's:	Aa2
Financial Advisor:	GEORGE K. BAUM & COMPANY			S & P:	AA
Tax Status:	Taxable			Fitch:	AA

Comparable Transactions (Week of Pricing)
Taxable Bonds (BABs)

Delivering More Than Power.™

DALLAS TEX AREA RAPID TRAN SAL Pricing Analysis

Dated Date: 10/7/10
Sale Date: 9/28/10

Dallas Area Rapid. Transs. BABs

Maturity Date	Maturity Year	Bond Type	Par Amount	Coupon	Yield (ROY)	Price	Treasury	Yield	Taxable Spread	Call Type	Call Price/Prem
12/1/41	31.0	Serial	270,085,000	4.922%	4.922%	100.000	30yr	3.659%	126 bps	MWC	20.0
12/1/48	38.0	Serial	459,305,000	5.022%	5.022%	100.000	30yr	3.659%	136 bps	MWC	20.0
Issuance Par:			729,390,000								
Average Life:			35.6 years								

				Ratings	Underlying
Type of Sale:	NEGOTIATED	Call Type	MWC		
Underwriter:	BANC OF AMERICA MERRILL	Call Price/Prem.	20	Moody's:	Aa2
Bond Counsel:	FULBRIGHT & JAWORSKI LLP			S & P:	AA+
Financial Advisor:	ESTRADA HINOJOSA & CO INC			Fitch:	
Tax Status:	Taxable				

Comparable Transactions (Week of Pricing)
Taxable Bonds (BABs)

Delivering More Than Power.™

PENNSYLVANIA ST CTFS PARTN Pricing Analysis

Dated Date: 10/7/10
Sale Date: 9/30/10

Penn. COPs BABs

Maturity Date	Maturity Year	Bond Type	Par Amount	Coupon	Yield (ROY)	Price	Treasury	Yield	Taxable Spread	Call Type	Call Price/Prem
10/1/11	1.0	Serial	275,000	1.150%	1.150%	100.000	2yr	0.426%	72 bps	10/1/2011	100.0
4/1/12	1.5	Serial	225,000	1.350%	1.350%	100.000	2yr	0.426%	92 bps	4/1/2012	100.0
10/1/12	2.0	Serial	245,000	1.500%	1.500%	100.000	2yr	0.426%	107 bps	10/1/2012	100.0
4/1/13	2.5	Serial	245,000	1.700%	1.700%	100.000	3yr	0.630%	107 bps	4/1/2013	100.0
10/1/13	3.0	Serial	385,000	1.850%	1.850%	100.000	3yr	0.630%	122 bps	10/1/2013	100.0
4/1/14	3.5	Serial	390,000	2.150%	2.150%	100.000	5yr	1.265%	89 bps	4/1/2014	100.0
10/1/14	4.0	Serial	400,000	2.350%	2.350%	100.000	5yr	1.265%	109 bps	10/1/2014	100.0
4/1/15	4.5	Serial	405,000	2.750%	2.750%	100.000	5yr	1.265%	149 bps	4/1/2015	100.0
10/1/15	5.0	Serial	410,000	2.900%	2.900%	100.000	5yr	1.265%	164 bps	10/1/2015	100.0
4/1/16	5.5	Serial	415,000	3.200%	3.200%	100.000	5yr	1.265%	194 bps	4/1/2016	100.0
10/1/16	6.0	Serial	440,000	3.400%	3.400%	100.000	5yr	1.265%	214 bps	10/1/2016	100.0
4/1/17	6.5	Serial	445,000	3.600%	3.600%	100.000	7yr	1.907%	169 bps	4/1/2017	100.0
10/1/17	7.0	Serial	475,000	3.700%	3.700%	100.000	7yr	1.907%	179 bps	10/1/2017	100.0
4/1/18	7.5	Serial	485,000	3.850%	3.850%	100.000	10yr	2.512%	134 bps	4/1/2018	100.0
10/1/18	8.0	Serial	515,000	4.000%	4.000%	100.000	10yr	2.512%	149 bps	10/1/2018	100.0
4/1/19	8.5	Serial	525,000	4.200%	4.200%	100.000	10yr	2.512%	169 bps	4/1/2019	100.0
10/1/19	9.0	Serial	555,000	4.300%	4.300%	100.000	10yr	2.512%	179 bps	10/1/2019	100.0
4/1/20	9.5	Serial	565,000	4.400%	4.400%	100.000	10yr	2.512%	189 bps	4/1/2020	100.0
10/1/20	10.0	Serial	600,000	4.450%	4.450%	100.000	10yr	2.512%	194 bps	10/1/2020	100.0
4/1/23	12.5	Serial	3,340,000	5.000%	5.200%	98.179	10yr	2.512%	269 bps	10/1/2020	100.0
Issuance Par:			11,340,000								
Average Life:			8.0 years								

Type of Sale: NEGOTIATED
Underwriter: OPPENHEIMER & COMPANY INC
Tax Status: Taxable

Call Type 10/1/2020
Call Price/Prem. 100

Ratings	Underlying
Moody's:	Aa2
S & P:	
Fitch:	

Comparable Transactions (Week of Pricing)
Taxable Bonds

Delivering More Than Power.™

STATE PUB SCH BLDG AUTH PA REV Pricing Analysis

Dated Date: 10/6/10
Sale Date: 9/29/10

Penn QSCBs

Maturity Date	Maturity Year	Bond Type	Par Amount	Coupon	Yield (ROY)	Price	Treasury	Yield	Taxable Spread	Call Type	Call Price/Prem
9/15/27	17.0	Serial	325,526,000	5.000%	5.000%	100.000	30yr	3.685%	132 bps	MWC	25.0
Issuance Par:			325,526,000								
Average Life:			16.9 years								

Type of Sale:	NEGOTIATED	Call Type	MWC	Ratings	Underlying
Underwriter:	CITIGROUP GLOBAL MKTS INC	Call Price/Prem.	25	Moody's:	Aa2
Bond Counsel:	BALLARD SPAHR LLP			S & P:	
Financial Advisor:	PUBLIC FINANCIAL MGMT			Fitch:	AA
Tax Status:	Taxable				

Comparable Transactions (Week of Pricing)
Taxable Bonds (BABs)

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ST VRAIN COLO SANTN DIST Pricing Analysis

Dated Date: 10/7/10
Sale Date: 9/29/10

St Vrain San. Dist. CO BABs

Maturity Date	Maturity Year	Bond Type	Par Amount	Coupon	Yield (ROY)	Price	Treasury	Yield	Taxable Spread	Call Type	Call Price/Prem
12/1/19	9.0	Serial	410,000	3.730%	3.730%	100.000	10yr	2.505%	123 bps	12/1/2019	100.0
12/1/20	10.0	Serial	420,000	3.880%	3.880%	100.000	10yr	2.505%	138 bps	12/1/2020	100.0
12/1/25	15.0	Serial	3,330,000	4.880%	4.880%	100.000	10yr	2.505%	238 bps	12/1/2020	100.0
12/1/30	20.0	Serial	4,735,000	5.540%	5.540%	100.000	30yr	3.685%	186 bps	12/1/2020	100.0
12/1/35	25.0	Serial	6,310,000	5.750%	5.750%	100.000	30yr	3.685%	207 bps	12/1/2020	100.0
Issuance Par:			15,205,000								
Average Life:			20.6 years								

Type of Sale: NEGOTIATED
Underwriter: GEORGE K. BAUM & COMPANY
Tax Status: Taxable

Call Type 12/1/2020
Call Price/Prem. 100

Ratings	Underlying
Moody's:	
S & P:	AA-
Fitch:	AA

Comparable Transactions (Week of Pricing)
Taxable Bonds

Delivering More Than Power.™

LOUISIANA LOC GOVT Pricing Analysis

Dated Date: 10/13/10
Sale Date: 9/28/10

Louisiana Govt Env. Fac.

Maturity Date	Maturity Year	Bond Type	Ins.	Par Amount	Coupon	Yield (ROY)	Price	Treasury	Yield	Taxable Spread	Call Type	Call Price/Prem
11/1/11	1.0	Serial	AGM	630,000	1.230%	1.230%	100.000	2yr	0.434%	80 bps	11/1/2011	100.0
11/1/12	2.0	Serial	AGM	1,340,000	1.530%	1.530%	100.000	2yr	0.434%	110 bps	11/1/2012	100.0
11/1/13	3.0	Serial	AGM	1,355,000	1.740%	1.740%	100.000	3yr	0.635%	111 bps	11/1/2013	100.0
11/1/14	4.0	Serial	AGM	1,370,000	2.350%	2.350%	100.000	5yr	1.232%	112 bps	11/1/2014	100.0
11/1/15	5.0	Serial	AGM	1,390,000	2.750%	2.750%	100.000	5yr	1.232%	152 bps	11/1/2015	100.0
11/1/16	6.0	Serial	AGM	1,415,000	3.260%	3.260%	100.000	5yr	1.232%	203 bps	11/1/2016	100.0
11/1/17	7.0	Serial	AGM	1,445,000	3.560%	3.560%	100.000	7yr	1.845%	172 bps	11/1/2017	100.0
11/1/18	8.0	Serial	AGM	1,475,000	4.080%	4.080%	100.000	10yr	2.467%	161 bps	11/1/2018	100.0
11/1/19	9.0	Serial	AGM	1,520,000	4.180%	4.180%	100.000	10yr	2.467%	171 bps	11/1/2019	100.0
11/1/20	10.0	Serial	AGM	1,560,000	4.380%	4.380%	100.000	10yr	2.467%	191 bps	11/1/2020	100.0
11/1/21	11.0	Serial	AGM	1,605,000	4.630%	4.630%	100.000	10yr	2.467%	216 bps	11/1/2020	100.0
11/1/22	12.0	Serial	AGM	1,655,000	4.880%	4.880%	100.000	10yr	2.467%	241 bps	11/1/2020	100.0
11/1/23	13.0	Serial	AGM	1,705,000	5.030%	5.030%	100.000	10yr	2.467%	256 bps	11/1/2020	100.0
11/1/24	14.0	Serial	AGM	1,760,000	5.180%	5.180%	100.000	10yr	2.467%	271 bps	11/1/2020	100.0
11/1/25	15.0	Serial	AGM	1,820,000	5.330%	5.330%	100.000	10yr	2.467%	286 bps	11/1/2020	100.0
11/1/26	16.0	Serial	AGM	1,885,000	5.520%	5.520%	100.000	30yr	3.659%	186 bps	11/1/2020	100.0
11/1/27	17.0	Serial	AGM	1,955,000	5.620%	5.620%	100.000	30yr	3.659%	196 bps	11/1/2020	100.0
11/1/28	18.0	Serial	AGM	2,025,000	5.720%	5.720%	100.000	30yr	3.659%	206 bps	11/1/2020	100.0
11/1/29	19.0	Serial	AGM	2,100,000	5.820%	5.820%	100.000	30yr	3.659%	216 bps	11/1/2020	100.0
11/1/30	20.0	Serial	AGM	2,180,000	5.920%	5.920%	100.000	30yr	3.659%	226 bps	11/1/2020	100.0
11/1/35	25.0	Serial	AGM	12,270,000	6.120%	6.120%	100.000	30yr	3.659%	246 bps	11/1/2020	100.0
11/1/40	30.0	Serial	AGM	14,945,000	6.270%	6.270%	100.000	30yr	3.659%	261 bps	11/1/2020	100.0
Issuance Par:				59,405,000								
Average Life:				19.1 years								

Type of Sale: NEGOTIATED
Underwriter: STEPHENS INC
Bond Counsel: JOSEPH A. DELAFIELD
Financial Advisor: GOVERNMENT CONS OF LA INC
Tax Status: Taxable

Call Type 11/1/2020
Call Price/Prem. 100

Ratings	Underlying	Insured
Moody's:	Aa3	Aa3
S & P:	A+	AAA
Fitch:		

Insurance: AGM

Comparable Transactions (Week of Pricing)
Taxable Bonds (BABs)

Delivering More Than Power.™

COLORADO ST BRD CMNTY COLLEGES Pricing Analysis

Dated Date: 10/13/10
Sale Date: 9/29/10

Colorado Colleges BABs

Maturity Date	Maturity Year	Bond Type	Ins.	Par Amount	Coupon	Yield (ROY)	Price	Treasury	Yield	Taxable Spread	Call Type	Call Price/Prem
11/1/18	8.0	Serial		1,300,000	3.370%	3.370%	100.000	10yr	2.505%	87 bps	11/1/2018	100.0
11/1/19	9.0	Serial		1,330,000	3.570%	3.570%	100.000	10yr	2.505%	107 bps	11/1/2019	100.0
11/1/20	10.0	Serial		1,360,000	3.770%	3.770%	100.000	10yr	2.505%	127 bps	11/1/2020	100.0
11/1/21	11.0	Serial		1,400,000	3.920%	3.920%	100.000	10yr	2.505%	142 bps	11/1/2020	100.0
11/1/22	12.0	Serial		1,430,000	4.120%	4.120%	100.000	10yr	2.505%	162 bps	11/1/2020	100.0
11/1/23	13.0	Serial		1,475,000	4.320%	4.320%	100.000	10yr	2.505%	182 bps	11/1/2020	100.0
11/1/24	14.0	Serial		1,520,000	4.520%	4.520%	100.000	10yr	2.505%	202 bps	11/1/2020	100.0
11/1/25	15.0	Serial		1,565,000	4.700%	4.700%	100.000	10yr	2.505%	220 bps	11/1/2020	100.0
11/1/26	16.0	Serial		1,615,000	4.850%	4.850%	100.000	30yr	3.685%	117 bps	11/1/2020	100.0
11/1/27	17.0	Serial		1,660,000	5.000%	5.000%	100.000	30yr	3.685%	132 bps	11/1/2020	100.0
11/1/30	20.0	Serial		5,350,000	5.250%	5.250%	100.000	30yr	3.685%	157 bps	11/1/2020	100.0
11/1/35	25.0	Serial		8,685,000	5.350%	5.370%	99.723	30yr	3.685%	169 bps	11/1/2020	100.0
11/1/39	29.0	Serial		2,765,000	5.500%	5.500%	100.000	30yr	3.685%	182 bps	11/1/2020	100.0
Issuance Par:				31,455,000								
Average Life:				18.8 years								

Type of Sale: COMPETITIVE
Underwriter: SAMUEL A RAMIREZ & CO INC
Bond Counsel: KUTAK ROCK LLP
Financial Advisor: BD ADVISORS LLC
Tax Status: Taxable

Call Type 11/1/2020
Call Price/Prem. 100

Ratings	Underlying
Moody's:	Aa3
S & P:	
Fitch:	

Comparable Transactions (Week of Pricing)
Taxable Bonds (BABs)

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OSHKOSH WIS WTR REV Pricing Analysis

Dated Date: 10/14/10
Sale Date: 9/28/10

Oshkosh WI BABs

Maturity Date	Maturity Year	Bond Type	Par Amount	Coupon	Yield (ROY)	Price	Treasury	Yield	Taxable Spread	Call Type	Call Price/Prem
1/1/12	1.0	Serial	205,000	1.000%	1.000%	100.000	2yr	0.434%	57 bps	1/1/2012	100.0
1/1/13	2.0	Serial	210,000	1.250%	1.250%	100.000	3yr	0.635%	62 bps	1/1/2013	100.0
1/1/14	3.0	Serial	215,000	1.500%	1.500%	100.000	5yr	1.232%	27 bps	1/1/2014	100.0
1/1/15	4.0	Serial	225,000	1.850%	1.850%	100.000	5yr	1.232%	62 bps	1/1/2015	100.0
1/1/16	5.0	Serial	230,000	2.150%	2.150%	100.000	5yr	1.232%	92 bps	1/1/2016	100.0
1/1/17	6.0	Serial	235,000	2.550%	2.550%	100.000	7yr	1.845%	71 bps	1/1/2017	100.0
1/1/18	7.0	Serial	245,000	2.950%	2.800%	100.971	10yr	2.467%	33 bps	1/1/2018	100.0
1/1/19	8.0	Serial	250,000	3.600%	3.400%	101.419	10yr	2.467%	93 bps	1/1/2019	100.0
1/1/20	9.0	Serial	260,000	3.800%	3.600%	101.552	10yr	2.467%	113 bps	1/1/2020	100.0
1/1/21	10.0	Serial	275,000	3.800%	3.800%	100.000	10yr	2.467%	133 bps	1/1/2020	100.0
1/1/22	11.0	Serial	285,000	4.000%	4.000%	100.000	10yr	2.467%	153 bps	1/1/2020	100.0
1/1/23	12.0	Serial	295,000	4.150%	4.150%	100.000	10yr	2.467%	168 bps	1/1/2020	100.0
1/1/24	13.0	Serial	310,000	4.350%	4.350%	100.000	10yr	2.467%	188 bps	1/1/2020	100.0
1/1/25	14.0	Serial	325,000	4.500%	4.500%	100.000	10yr	2.467%	203 bps	1/1/2020	100.0
1/1/26	15.0	Serial	345,000	4.650%	4.650%	100.000	30yr	3.659%	99 bps	1/1/2020	100.0
1/1/27	16.0	Serial	360,000	4.850%	4.850%	100.000	30yr	3.659%	119 bps	1/1/2020	100.0
1/1/28	17.0	Serial	380,000	4.950%	4.950%	100.000	30yr	3.659%	129 bps	1/1/2020	100.0
1/1/29	18.0	Serial	400,000	5.050%	5.050%	100.000	30yr	3.659%	139 bps	1/1/2020	100.0
1/1/30	19.0	Serial	420,000	5.150%	5.150%	100.000	30yr	3.659%	149 bps	1/1/2020	100.0
Issuance Par:			5,740,000								
Average Life:			10.9 years								

Type of Sale: COMPETITIVE
Underwriter: ROBERT W. BAIRD & CO INC
Bond Counsel: CHAPMAN & CUTLER LLP
Financial Advisor: EHLERS & ASSOCIATES INC
Tax Status: Taxable

Call Type 1/1/2020
Call Price/Prem. 100

Ratings	Underlying
Moody's:	Aa3
S & P:	
Fitch:	

Comparable Transactions (Week of Pricing)
Taxable Bonds (BABs)

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INDIANA MUN PWR AGY PWR SUPPLY Pricing Analysis

Dated Date: 10/14/10
Sale Date: 9/29/10

Indiana Muni Power BABs

Maturity Date	Maturity Year	Bond Type	Par Amount	Coupon	Yield (ROY)	Price	Treasury	Yield	Taxable Spread	Call Type	Call Price/Prem
1/1/42	31.0	Serial	123,640,000	5.594%	5.594%	100.000	30yr	3.685%	191 bps	MWC	30.0
Issuance Par:			123,640,000								
Average Life:			31.2 years								

Type of Sale:	NEGOTIATED	Call Type	MWC	Ratings	Underlying
Underwriter:	CITIGROUP GLOBAL MKTS INC	Call Price/Prem.	30	Moody's:	A1
Bond Counsel:	ICE MILLER LLP			S & P:	A+
Financial Advisor:	MCDONALD PARTNERS INC			Fitch:	A+
Tax Status:	Taxable				

Comparable Transactions (Week of Pricing)
Taxable Bonds (BABs)

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NEBRASKA PUB PWR DIST REV Pricing Analysis

Dated Date: 10/20/10
Sale Date: 9/28/10

Nebraska Pub. Pwr. Dist.

Maturity Date	Maturity Year	Bond Type	Par Amount	Coupon	Yield (ROY)	Price	Treasury	Yield	Taxable Spread	Call Type	Call Price/Prem
1/1/12	1.0	Serial	735,000	1.330%	1.330%	100.000	30yr	4.058%	265 bps	MWC	30.0
1/1/13	2.0	Serial	745,000	1.580%	1.580%	100.000	30yr	4.058%	265 bps	MWC	30.0
1/1/14	3.0	Serial	755,000	2.250%	2.250%	100.000	30yr	4.058%	265 bps	MWC	30.0
1/1/15	4.0	Serial	775,000	2.500%	2.500%	100.000	30yr	4.058%	265 bps	MWC	30.0
1/1/16	5.0	Serial	795,000	2.858%	2.858%	100.000	30yr	4.058%	265 bps	MWC	30.0
1/1/17	6.0	Serial	815,000	3.358%	3.358%	100.000	30yr	4.058%	265 bps	MWC	30.0
1/1/18	7.0	Serial	845,000	3.730%	3.730%	100.000	30yr	4.058%	265 bps	MWC	30.0
1/1/19	8.0	Serial	875,000	3.980%	3.980%	100.000	30yr	4.058%	265 bps	MWC	30.0
1/1/20	9.0	Serial	910,000	4.130%	4.130%	100.000	30yr	4.058%	265 bps	MWC	30.0
7/1/20	9.5	Serial	970,000	4.180%	4.180%	100.000	30yr	4.058%	265 bps	MWC	30.0
Issuance Par:			8,365,000								
Average Life:			5.8 years								

Type of Sale:	NEGOTIATED	Call Type	MWC	Ratings	Underlying
Underwriter:	SAMUEL A RAMIREZ & CO INC	Call Price/Prem.	30	Moody's:	A1
Bond Counsel:	FULBRIGHT & JAWORSKI LLP			S & P:	A
Tax Status:	Taxable			Fitch:	A+

Comparable Transactions (Week of Pricing)
Taxable Bonds (BABs)

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NEBRASKA PUB PWR DIST REV Pricing Analysis

Dated Date: 10/20/10
Sale Date: 9/28/10

BABs Nebraska Pub. Pwr. Dist.

Maturity Date	Maturity Year	Bond Type	Par Amount	Coupon	Yield (ROY)	Price	Treasury	Yield	Taxable Spread	Call Type	Call Price/Prem
1/1/20	9.0	Serial	4,960,000	3.980%	3.980%	100.000	10yr	2.467%	151 bps	MWC	30.0
1/1/21	10.0	Serial	5,090,000	4.180%	4.180%	100.000	10yr	2.467%	171 bps	MWC	30.0
1/1/22	11.0	Serial	5,230,000	4.380%	4.380%	100.000	10yr	2.467%	191 bps	MWC	30.0
1/1/23	12.0	Serial	5,370,000	4.530%	4.530%	100.000	10yr	2.467%	206 bps	MWC	30.0
1/1/24	13.0	Serial	5,530,000	4.630%	4.630%	100.000	10yr	2.467%	216 bps	MWC	30.0
1/1/25	14.0	Serial	5,695,000	4.730%	4.730%	100.000	10yr	2.467%	226 bps	MWC	30.0
1/1/30	19.0	Serial	27,985,000	5.323%	5.323%	100.000	30yr	3.659%	166 bps	MWC	30.0
1/1/43	32.0	Serial	54,190,000	5.423%	5.423%	100.000	30yr	3.659%	176 bps	MWC	30.0
Issuance Par:			114,050,000								
Average Life:			23.3 years								

Type of Sale:	NEGOTIATED	Call Type	MWC	Ratings	Underlying
Underwriter:	SAMUEL A RAMIREZ & CO INC	Call Price/Prem.	30	Moody's:	A1
Bond Counsel:	FULBRIGHT & JAWORSKI LLP			S & P:	A
Tax Status:	Taxable			Fitch:	A+

Comparable Transactions (Week of Pricing)
Taxable Bonds (BABs)

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FLORIDA ST GOVERNMENTAL UTIL Pricing Analysis

Dated Date: 10/13/10
Sale Date: 9/30/10

Florida Govt. Utility BABs

Maturity Date	Maturity Year	Bond Type	Par Amount	Coupon	Yield (ROY)	Price	Treasury	Yield	Taxable Spread	Call Type	Call Price/Prem
10/1/13	3.0	Serial	360,000	2.746%	2.746%	100.000	3yr	0.630%	212 bps	10/1/2013	100.0
10/1/14	4.0	Serial	2,300,000	3.140%	3.140%	100.000	5yr	1.265%	188 bps	10/1/2014	100.0
10/1/15	5.0	Serial	2,840,000	3.540%	3.540%	100.000	5yr	1.265%	228 bps	10/1/2015	100.0
10/1/16	6.0	Serial	2,905,000	3.968%	3.968%	100.000	5yr	1.265%	270 bps	10/1/2016	100.0
10/1/17	7.0	Serial	2,980,000	4.318%	4.318%	100.000	7yr	1.907%	241 bps	10/1/2017	100.0
10/1/18	8.0	Serial	3,065,000	4.572%	4.572%	100.000	10yr	2.512%	206 bps	10/1/2018	100.0
10/1/19	9.0	Serial	3,160,000	4.822%	4.822%	100.000	10yr	2.512%	231 bps	10/1/2019	100.0
10/1/20	10.0	Serial	3,260,000	5.022%	5.022%	100.000	10yr	2.512%	251 bps	10/1/2020	100.0
10/1/25	15.0	Serial	18,125,000	5.720%	5.822%	98.987	10yr	2.512%	331 bps	10/1/2020	100.0
10/1/30	20.0	Serial	21,955,000	6.348%	6.348%	100.000	30yr	3.686%	266 bps	10/1/2020	100.0
10/1/40	30.0	Serial	60,205,000	6.548%	6.548%	100.000	30yr	3.686%	286 bps	10/1/2020	100.0
Issuance Par:			121,155,000								
Average Life:			22.0 years								

Type of Sale:	NEGOTIATED	Call Type	10/1/2020	Ratings	Underlying
Underwriter:	WELLS FARGO BANK N.A.	Call Price/Prem.	100	Moody's:	A2
Bond Counsel:	NABORS GIBLIN & NICKERSON			S & P:	
Financial Advisor:	DUNLAP & ASSOCIATES INC			Fitch:	
Tax Status:	Taxable				

Comparable Transactions
Build America Bonds (Since August 1, 2010)

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Build America Bond Comparables							
Issuer	Rating	Sale Date	Maturity Size ($000)	Maturity	Spread	Call Option	Underwriter
Spotsylvania Cnty Va Wtr & Swr	Aa3 / Aae	08/10	16,105	2040	T + 165	10-yr Call	Wells Fargo
Oakland Park Fla Wtr & Swr Rev	NR / AAAe	08/10	3,760	2040	T + 230	10-yr Call	Southwest Sec.
Douglas Cnty Wash Pub Util	Aa3 / AA	08/10	20,530	2040	T + 185	MW	JP Morgan
Polk Cnty Fla Util Sys Rev	Aa3 / A+	08/10	46,360	2040	T + 237	10-yr Call	BAML
Phoenix AZ Civic Improvement	A1 / A+	08/10	21,345	2040	T + 268	MW	Barclays
Sunrise Fla Util Sys Rev	NR / AA-	09/10	57,100	2035	T + 219.8	10-yr Call	Morgan Stanley
Sarasota Fla Wtr & Swr Sys Rev	Aa2 / NR	09/10	11,330	2040	T + 202.8	10-yr Call	Raymond James
NY City Municipal Water	AA2 / AA+	09/10	250,000	2041	T + 186	MW	Barclays
			500,000	2043	T + 151	EMW	
Okanogan County (WA)	A1 / A-	09/10	7,005	2040	T + 225	MW	Seattle - Northwest
Commonwealth Financing Authority (PA)	Aa3 / AA-	09/10	70,295	2040	T + 186	MW	Citi
Williamsport (PA) Sewer	NR / AA-	09/10	16,235	2040	T + 195	10-yr Call	Robert w. Baird
Ohio State Water Development	Aaa / AAA	09/10	63,930	2042	T + 112.5	MW	Barclays
Tallahassee (FL) Utilities	Aa1 / AA+	09/10	102,665	2040	T + 138	MW	JP Morgan
Colorado Springs Utilities	Aa2 / AA	09/10	10,970	2040	T + 163	10-yr Call	Piper Jaffray
Southern California Public Power	NR / AA-	09/10	41,550	2035	T + 200	MW	Morgan Stanley

Comparable Transactions
Build America Bonds (Older Transactions)

Delivering More Than Power.™

Build America Bond Comparables							
Issuer	Rating	Sale Date	Maturity Size ($000)	Maturity	Spread	Call Option	Underwriter
SMUD	A1/A+/A	05/09	200,000	2036	T + 225	MW/EMW	Goldman
CPS	Aa1/AA/AA+	06/09	375,000	2039	T + 145	MW/EMW	Goldman
Tuolumne Wind Project	A1/A+/A+	06/09	151,605	2034	T + 250	MW/EMW	Citi
Florida State Turnpike Authority	Aa2/AA-/AA-	06/09	200,455	2029	T + 250	10-Yr Call	Citi
PPGA	A2/A-	07/09	185,185	2041	T + 300	MW/EMW	Goldman
Metropolitan Water, CA	Aa2/AAA/AA+	07/09	157,360	2039	T + 200	10-Yr Call	JP Morgan
Riverside	Aa1/AA	08/09	109,130	2039	T + 270	10-Yr Call	Wells Fargo
AMP Ohio	A1/A/A	10/09	77,435	2039	T + 250	10-Yr Call	Merrill Lynch
			272,515	2043	T + 200	MW/EMW	
South Carolina Public Service Authority	Aa2/AA-/AA	10/09	100,000	2030	T + 150	MW/EMW	Goldman
NYC Municipal Water	Aa3/AA+/AA	10/09	100,850	2041	T + 190	10-Yr Call	Barclays
			403,390	2041	T + 140	MW/EMW	
North Texas Municipal Water District	Aa2/AAA	11/09	56,180	2039	T + 175	10-Yr Call	JP Morgan
San Antonio Texas Water	Aa2/AA/AA	11/09	51,945	2039	T + 135	MW/EMW	Barclays
JEA Electric System Senior	Aa2/AA-/AA-	11/09	45,955	2044	T + 175	MW/EMW	JP Morgan
JEA Electric System Subordinated	Aa3/A+/AA-	11/09	56,600	2034	T + 210	MW/EMW	JP Morgan
Los Angeles Department of Water and Power	Aa3/AA/AA	11/09	250,000	2039	T + 175	MW/EMW	Citi
Missouri Joint Municipal Elec Util Comm	A3	12/09	119,905	2042	T + 240	MW/EMW	JP Morgan
MEAG Project J	A2/A+/A+	03/10	1,224,265	2057	T + 205	MW/EMW	Goldman
MEAG Project M	A2/A+/A+	03/10	1,012,235	2057	T + 200	MW/EMW	Goldman
MEAG Project P	Baa2/A-/A-	03/10	383,405	2057	T + 237.5	MW/EMW	Goldman
CPS	Aa1/AA/AA+	03/10	280,000	2041	T + 100	MW/EMW	Barclays
			100,000	2041	T + 145	10-Yr Call	
California State Univ	Aa3/A+	03/10	146,945	2041	T + 190	MW/EMW	Morgan Stanley
LIPA	A3/A-	04/10	110,000	2041	T + 145	MW/EMW	Citi
Snohomish PUD	Aa3/AA-	05/10	86,430	2035	T + 120	MW/EMW	Citi
Seattle Wash Muni Light & Power	Aa2/AA-	05/10	102,620	2040	T + 112.5	MW/EMW	Citi
San Fransico City & County	Aa2/AA-	06/10	295,195	2040	T + 185	MW/EMW	Barclays
Northern CA Power Agency	Aa2	06/10	105,015	2035	T + 150	MW/EMW	Goldman
Modesto CA Irrigation District	A2/A+	06/10	45,385	2040	T + 300	MW/EMW	JP Morgan
BATA	A1/A+	06/10	400,000	2040	T + 287	MW/EMW	BAML
NY MTA	A2/A	06/10	290,000	2040	T + 275	MW/EMW	Barclays
Tacoma Washington Electric System	Aa3/AA	07/10	100,000	2035	T + 187	MW/EMW	JP Morgan
San Francisco Calif City & Cnt	Aa2 / AA-	07/10	260,890	2040	T + 200	NC	BAML
Corpus Christi Tex Util Sys Re	Aa3 / A+	07/10	34,995	2040	T + 230	MW	Frost NB
Oklahoma St Mun Pwr Auth Pwr	A2 / A+	07/10	17,970	2040	T + 220	MW	BAML

Comparable Transactions (Week of Pricing)
Tax-Exempt

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NORTH CAROLINA ST Pricing Analysis

Dated Date: 10/12/10
Sale Date: 9/28/10

North Carolina, State of

Maturity Date	Maturity Year	Bond Type	Par Amount	Coupon	Reoffering Yield (ROY)	Yield To Call (YTC)	Yield To Maturity (YTM)	Price	Option Adjusted Yield (OAY)	MMD Analysis 5% AAA G.O. Scale	MMD Analysis ROY Spread	Optional Redemption Pricing Call Date	Optional Redemption Pricing Call Price
5/1/18	7.5	Serial	40,200,000	5.000%	1.890%	1.890%	1.890%	121.792		1.940%	(5.0)		
5/1/19	8.5	Serial	40,180,000	5.000%	2.080%	2.080%	2.080%	122.769		2.140%	(6.0)		
5/1/20	9.5	Serial	77,880,000	5.000%	2.270%	2.270%	2.270%	123.325		2.320%	(5.0)		
5/1/21	10.5	Serial	72,030,000	5.000%	2.420%	2.420%	2.420%	123.899		2.470%	(5.0)		
5/1/22	11.5	Serial	71,860,000	5.000%	2.550%	2.550%	2.550%	124.381		2.590%	(4.0)		
Issuance Par:			302,150,000										
Average Life:			9.9 years										

Type of Sale: COMPETITIVE
Underwriter: CITIGROUP GLOBAL MKTS INC
Bond Counsel: PARKER POE ADAMS BERNSTN
Financial Advisor: DAVENPORT & COMPANY LLC
Tax Status: Tax-Exempt

1st Call Date: Non-callable
1st Call Price: n/a

Ratings	Underlying
Moody's:	Aaa
S & P:	AAA
Fitch:	AAA

Comparable Transactions (Week of Pricing)
Tax-Exempt

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VIRGINIA ST PUB SCH AUTH Pricing Analysis

Dated Date: 10/19/10
Sale Date: 9/30/10

Virginia Pub. Schools Auth.

Maturity Date	Maturity Year	Bond Type	Par Amount	Coupon	Reoffering Yield (ROY)	Yield To Call (YTC)	Yield To Maturity (YTM)	Price	Option Adjusted Yield (OAY)	MMD Analysis 5% AAA G.O. Scale	MMD Analysis ROY Spread	Optional Redemption Pricing Call Date	Optional Redemption Pricing Call Price
8/1/12	2.0	Serial	385,000	3.000%	0.600%	0.600%	0.600%	104.250		0.470%	13.0		
8/1/13	3.0	Serial	395,000	3.000%	0.770%	0.770%	0.770%	106.128		0.650%	12.0		
8/1/14	4.0	Serial	410,000	3.000%	0.990%	0.990%	0.990%	107.444		0.890%	10.0		
8/1/15	5.0	Serial	420,000	3.000%	1.290%	1.290%	1.290%	107.906		1.170%	12.0		
8/1/16	6.0	Serial	2,160,000	3.500%	1.550%	1.550%	1.550%	110.745		1.460%	9.0		
8/1/16	6.0	Serial	10,705,000	5.000%	1.550%	1.550%	1.550%	119.011		1.460%	9.0		
8/1/17	7.0	Serial	13,040,000	5.000%	1.830%	1.830%	1.830%	120.132		1.740%	9.0		
8/1/18	8.0	Serial	13,250,000	4.000%	2.090%	2.090%	2.090%	113.651		1.990%	10.0		
8/1/19	9.0	Serial	13,325,000	4.000%	2.290%	2.290%	2.290%	113.532		2.200%	9.0		
8/1/20	10.0	Serial	6,035,000	5.000%	2.490%	2.490%	2.490%	121.671		2.380%	11.0		
8/1/21	11.0	Serial	6,170,000	5.000%	2.650%	2.650%	2.821%	120.131	2.781%	2.530%	12.0	8/1/20	100.0%
8/1/22	12.0	Serial	6,320,000	4.000%	2.926%	2.926%	3.076%	109.076	3.012%	2.640%	28.6	8/1/20	100.0%
8/1/23	13.0	Serial	1,600,000	3.000%	3.120%	3.150%	3.120%	98.740	3.109%	2.710%	41.0		
8/1/23	13.0	Serial	4,810,000	4.000%	3.060%	3.060%	3.241%	107.892	3.109%	2.710%	35.0	8/1/20	100.0%
8/1/24	14.0	Serial	6,485,000	3.000%	3.200%	3.266%	3.200%	97.782	3.187%	2.790%	41.0		
Issuance Par:			85,510,000										
Average Life:			8.9 years										

Type of Sale: NEGOTIATED
Underwriter: MORGAN KEEGAN & CO INC
Tax Status: Tax-Exempt

1st Call Date: 8/1/20
1st Call Price: 100.0%

Ratings	Underlying
Moody's:	Aa1
S & P:	AA+
Fitch:	AA+

Comparable Transactions (Week of Pricing) Tax-Exempt

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OHIO STATE Pricing Analysis

Dated Date: 10/8/10
Sale Date: 9/30/10

Ref. Ohio, State of

Maturity Date	Maturity Year	Bond Type	Par Amount	Coupon	Reoffering Yield (ROY)	Yield To Call (YTC)	Yield To Maturity (YTM)	Price	Option Adjusted Yield (OAY)	MMD Analysis 5% AAA G.O. Scale	MMD Analysis ROY Spread	Optional Redemption Pricing Call Date	Optional Redemption Pricing Call Price
8/1/15	5.0	Serial	7,370,000	5.000%	1.430%	1.430%	1.430%	116.548		1.170%	26.0		
8/1/16	6.0	Serial	16,560,000	5.000%	1.760%	1.760%	1.760%	117.828		1.460%	30.0		
8/1/17	7.0	Serial	16,560,000	5.000%	2.040%	2.040%	2.040%	118.738		1.740%	30.0		
8/1/18	8.0	Serial	10,565,000	5.000%	2.300%	2.300%	2.300%	119.206		1.990%	31.0		
8/1/19	9.0	Serial	11,240,000	5.000%	2.530%	2.530%	2.530%	119.400		2.200%	33.0		
8/1/20	10.0	Serial	200,000	5.000%	2.720%	2.720%	2.720%	119.518		2.380%	34.0		
8/1/21	11.0	Serial	625,000	2.750%	2.890%	2.890%	2.890%	98.705		2.530%	36.0		
8/1/21	11.0	Serial	20,000,000	4.250%	2.890%	2.890%	2.890%	112.549		2.530%	36.0		
8/1/21	11.0	Serial	3,695,000	5.000%	2.890%	2.890%	2.890%	119.472		2.530%	36.0		
8/1/22	12.0	Serial	295,000	3.000%	3.010%	3.010%	3.010%	99.898		2.640%	37.0		
8/1/22	12.0	Serial	11,450,000	4.250%	3.010%	3.010%	3.010%	112.247		2.640%	37.0		
Issuance Par:			98,560,000										
Average Life:			8.4 years										

Type of Sale: NEGOTIATED
Underwriter: JP MORGAN SECURITIES INC
Bond Counsel: BRICKER & ECKLER LLP
Financial Advisor: PUBLIC FINANCIAL MGMT
Tax Status: Tax-Exempt

1st Call Date: Non-callable
1st Call Price: n/a

Ratings	Underlying
Moody's:	Aa1
S & P:	AA+
Fitch:	AA+

Comparable Transactions (Week of Pricing)
Tax-Exempt

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OHIO STATE Pricing Analysis

Dated Date: 10/8/10
Sale Date: 9/30/10

Ohio, State of Ref.

Maturity Date	Maturity Year	Bond Type	Par Amount	Coupon	Reoffering Yield (ROY)	Yield To Call (YTC)	Yield To Maturity (YTM)	Price	Option Adjusted Yield (OAY)	MMD Analysis 5% AAA G.O. Scale	MMD Analysis ROY Spread	Optional Redemption Pricing Call Date	Optional Redemption Pricing Call Price
9/15/15	5.0	Serial	19,890,000	5.000%	1.430%	1.430%	1.430%	116.954		1.170%	26.0		
9/15/16	6.0	Serial	6,760,000	5.000%	1.760%	1.760%	1.760%	118.185		1.460%	30.0		
9/15/17	7.0	Serial	7,075,000	5.000%	2.040%	2.040%	2.040%	119.052		1.740%	30.0		
9/15/18	8.0	Serial	11,990,000	5.000%	2.300%	2.300%	2.300%	119.482		1.990%	31.0		
9/15/19	9.0	Serial	12,580,000	5.000%	2.530%	2.530%	2.530%	119.642		2.200%	33.0		
9/15/20	10.0	Serial	2,535,000	2.500%	2.720%	2.720%	2.720%	98.094		2.380%	34.0		
9/15/20	10.0	Serial	23,965,000	5.000%	2.720%	2.720%	2.720%	119.732		2.380%	34.0		
9/15/21	11.0	Serial	15,485,000	5.000%	2.890%	2.890%	2.890%	119.661		2.530%	36.0		
9/15/22	12.0	Serial	24,560,000	4.250%	3.010%	3.010%	3.010%	112.354		2.640%	37.0		
9/15/22	12.0	Serial	4,500,000	5.000%	3.010%	3.010%	3.010%	119.828		2.640%	37.0		
Issuance Par:			129,340,000										
Average Life:			9.1 years										

Type of Sale: NEGOTIATED
Underwriter: JP MORGAN SECURITIES INC
Bond Counsel: BRICKER & ECKLER LLP
Financial Advisor: PUBLIC FINANCIAL MGMT

1st Call Date: Non-callable
1st Call Price: n/a

Ratings	Underlying
Moody's:	Aa1
S & P:	AA+
Fitch:	AA+

Comparable Transactions (Week of Pricing)
Tax-Exempt

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PENNSYLVANIA HSG FIN AGY Pricing Analysis

Dated Date: 10/14/10
Sale Date: 9/30/10

Penn. Hsg. Fin. Agy

Maturity Date	Maturity Year	Bond Type	Par Amount	Coupon	Reoffering Yield (ROY)	Yield To Call (YTC)	Yield To Maturity (YTM)	Price	Option Adjusted Yield (OAY)	MMD Analysis 5% AAA G.O. Scale	MMD Analysis ROY Spread	Optional Redemption Pricing Call Date	Optional Redemption Pricing Call Price
4/1/11	0.5	Serial	1,360,000	0.450%	0.450%	0.450%	0.450%	100.000		0.300%	15.0		
10/1/11	1.0	Serial	1,995,000	0.600%	0.600%	0.600%	0.600%	100.000		0.300%	30.0		
4/1/12	1.5	Serial	2,040,000	1.000%	1.000%	1.000%	1.000%	100.000		0.470%	53.0		
4/1/13	2.5	Serial	2,145,000	1.300%	1.300%	1.300%	1.300%	100.000		0.650%	65.0		
10/1/13	3.0	Serial	2,195,000	1.400%	1.400%	1.400%	1.400%	100.000		0.650%	75.0		
4/1/14	3.5	Serial	2,245,000	1.600%	1.600%	1.600%	1.600%	100.000		0.890%	71.0		
10/1/14	4.0	Serial	2,300,000	1.700%	1.700%	1.700%	1.700%	100.000		0.890%	81.0		
4/1/15	4.5	Serial	2,360,000	2.000%	2.000%	2.000%	2.000%	100.000		1.170%	83.0		
10/1/15	5.0	Serial	2,415,000	2.100%	2.100%	2.100%	2.100%	100.000		1.170%	93.0		
4/1/16	5.5	Serial	2,475,000	2.450%	2.450%	2.450%	2.450%	100.000		1.460%	99.0		
10/1/16	6.0	Serial	2,530,000	2.500%	2.500%	2.500%	2.500%	100.000		1.460%	104.0		
4/1/17	6.5	Serial	2,600,000	2.800%	2.800%	2.800%	2.800%	100.000		1.740%	106.0		
10/1/17	7.0	Serial	2,655,000	2.800%	2.800%	2.800%	2.800%	100.000		1.740%	106.0		
4/1/18	7.5	Serial	2,725,000	3.050%	3.050%	3.050%	3.050%	100.000		1.990%	106.0		
10/1/18	8.0	Serial	2,785,000	3.050%	3.050%	3.050%	3.050%	100.000		1.990%	106.0		
4/1/19	8.5	Serial	2,860,000	3.250%	3.250%	3.250%	3.250%	100.000		2.200%	105.0		
10/1/19	9.0	Serial	2,925,000	3.250%	3.250%	3.250%	3.250%	100.000		2.200%	105.0		
4/1/20	9.5	Serial	2,995,000	3.400%	3.400%	3.400%	3.400%	100.000	3.400%	2.380%	102.0	10/1/19	100.0%
10/1/20	10.0	Serial	3,070,000	3.400%	3.400%	3.400%	3.400%	100.000	3.396%	2.380%	102.0	10/1/19	100.0%
10/1/25	15.0	Serial	34,110,000	4.125%	4.239%	4.295%	4.239%	98.744	3.920%	2.870%	136.9		
4/1/28	17.5	Serial	21,130,000	4.500%	3.050%	3.050%	3.621%	111.296	3.198%	3.110%	(6.0)	10/1/19	100.0%
Issuance Par:			101,915,000										
Average Life:			11.3 years										

Type of Sale: NEGOTIATED
Underwriter: MORGAN STANLEY
Bond Counsel: BALLARD SPAHR ANDREWS ING
Tax Status: Tax-Exempt

1st Call Date: 10/1/19
1st Call Price: 100.0%

Ratings	Underlying
Moody's:	Aa2
S & P:	AA+
Fitch:	-

Comparable Transactions (Week of Pricing)
Tax-Exempt

Delivering More Than Power.™

NEW JERSEY ST Pricing Analysis

Dated Date: 10/13/10
Sale Date: 9/30/10

New Jersey, State of

Maturity Date	Maturity Year	Bond Type	Par Amount	Coupon	Reoffering Yield (ROY)	Yield To Call (YTC)	Yield To Maturity (YTM)	Price	Option Adjusted Yield (OAY)	MMD Analysis 5% AAA G.O. Scale	MMD Analysis ROY Spread	Optional Redemption Pricing Call Date	Optional Redemption Pricing Call Price
8/15/13	3.0	Serial	3,285,000	2.000%	1.050%	1.050%	1.050%	102.649		0.650%	40.0		
8/15/13	3.0	Serial	32,880,000	4.000%	1.050%	1.050%	1.050%	108.228		0.650%	40.0		
8/15/14	4.0	Serial	2,575,000	2.000%	1.320%	1.320%	1.320%	102.536		0.890%	43.0		
8/15/14	4.0	Serial	14,620,000	5.000%	1.320%	1.320%	1.320%	113.729		0.890%	43.0		
8/15/15	5.0	Serial	2,865,000	2.500%	1.700%	1.700%	1.700%	103.699		1.170%	53.0		
8/15/15	5.0	Serial	102,255,000	5.000%	1.700%	1.700%	1.700%	115.264		1.170%	53.0		
8/15/16	6.0	Serial	3,010,000	2.000%	1.980%	1.980%	1.980%	100.108		1.460%	52.0		
8/15/16	6.0	Serial	2,370,000	4.000%	1.980%	1.980%	1.980%	111.084		1.460%	52.0		
8/15/16	6.0	Serial	24,620,000	5.000%	1.980%	1.980%	1.980%	116.572		1.460%	52.0		
8/15/17	7.0	Serial	9,180,000	2.500%	2.280%	2.280%	2.280%	101.384		1.740%	54.0		
8/15/17	7.0	Serial	26,010,000	5.000%	2.280%	2.280%	2.280%	117.130		1.740%	54.0		
8/15/18	8.0	Serial	1,465,000	2.500%	2.550%	2.550%	2.550%	99.645		1.990%	56.0		
8/15/18	8.0	Serial	35,300,000	5.000%	2.550%	2.550%	2.550%	117.304		1.990%	56.0		
8/15/19	9.0	Serial	1,550,000	3.000%	2.760%	2.760%	2.760%	101.868		2.200%	56.0		
8/15/19	9.0	Serial	85,125,000	5.000%	2.760%	2.760%	2.760%	117.459		2.200%	56.0		
8/15/20	10.0	Serial	1,895,000	3.250%	2.940%	2.940%	2.940%	102.629		2.380%	56.0		
8/15/20	10.0	Serial	120,205,000	5.000%	2.940%	2.940%	2.940%	117.485		2.380%	56.0		
8/15/20	10.0	Serial	11,000,000	4.000%	2.940%	2.940%	2.940%	108.996		2.380%	56.0		
8/15/21	11.0	Serial	8,280,000	3.250%	3.090%	3.090%	3.103%	101.345	3.101%	2.530%	56.0	8/15/20	100.0%
8/15/21	11.0	Serial	34,840,000	5.000%	3.090%	3.090%	3.228%	116.094	3.187%	2.530%	56.0	8/15/20	100.0%
Issuance Par:			523,330,000										
Average Life:			7.5 years										

Type of Sale: NEGOTIATED
Underwriter: MORGAN STANLEY
Bond Counsel: WOLFF & SAMSON P.A.
Tax Status: Tax-Exempt

1st Call Date: 8/15/20
1st Call Price: 100.0%

Ratings	Underlying
Moody's:	Aa2
S & P:	AA
Fitch:	AA

Comparable Transactions (Week of Pricing)
Tax-Exempt

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IOWA ST SPL OBLIG Pricing Analysis

Dated Date: 10/7/10
Sale Date: 9/29/10

State of Iowa IJOBS

Maturity Date	Maturity Year	Bond Type	Par Amount	Coupon	Reoffering Yield (ROY)	Yield To Call (YTC)	Yield To Maturity (YTM)	Price	Option Adjusted Yield (OAY)	MMD Analysis 5% AAA G.O. Scale	MMD Analysis ROY Spread	Optional Redemption Pricing Call Date	Optional Redemption Pricing Call Price
6/1/12	1.5	Serial	2,950,000	2.500%	0.570%	0.570%	0.570%	103.164		0.450%	12.0		
6/1/13	2.5	Serial	3,040,000	3.000%	0.800%	0.800%	0.800%	105.756		0.630%	17.0		
6/1/14	3.5	Serial	3,160,000	4.000%	1.070%	1.070%	1.070%	110.459		0.860%	21.0		
6/1/15	4.5	Serial	3,395,000	5.000%	1.390%	1.390%	1.390%	116.199		1.140%	25.0		
6/1/16	5.5	Serial	3,480,000	4.000%	1.710%	1.710%	1.710%	112.281		1.420%	29.0		
6/1/17	6.5	Serial	3,650,000	5.000%	2.040%	2.040%	2.040%	118.317		1.700%	34.0		
6/1/18	7.5	Serial	3,835,000	4.500%	2.290%	2.290%	2.290%	115.425		1.950%	34.0		
6/1/19	8.5	Serial	4,025,000	4.000%	2.470%	2.470%	2.470%	111.848		2.160%	31.0		
6/1/20	9.5	Serial	4,225,000	5.000%	2.670%	2.670%	2.670%	119.702		2.340%	33.0		
6/1/21	10.5	Serial	4,435,000	5.000%	2.850%	2.850%	3.009%	118.023	2.963%	2.490%	36.0	6/1/20	100.0%
6/1/22	11.5	Serial	4,655,000	5.000%	2.970%	2.970%	3.244%	116.920	3.040%	2.610%	36.0	6/1/20	100.0%
6/1/23	12.5	Serial	4,875,000	5.000%	3.030%	3.030%	3.397%	116.372	3.072%	2.690%	34.0	6/1/20	100.0%
6/1/24	13.5	Serial	5,120,000	5.000%	3.110%	3.110%	3.544%	115.647	3.128%	2.770%	34.0	6/1/20	100.0%
6/1/25	14.5	Serial	5,370,000	5.000%	3.210%	3.210%	3.687%	114.749	3.203%	2.850%	36.0	6/1/20	100.0%
6/1/26	15.5	Serial	5,710,000	5.000%	3.290%	3.290%	3.801%	114.036	3.269%	2.930%	36.0	6/1/20	100.0%
6/1/27	16.5	Serial	5,985,000	5.000%	3.380%	3.380%	3.910%	113.240	3.344%	3.010%	37.0	6/1/20	100.0%
6/1/28	17.5	Serial	6,280,000	5.000%	3.470%	3.470%	4.009%	112.451	3.423%	3.100%	37.0	6/1/20	100.0%
6/1/29	18.5	Serial	2,000,000	4.000%	3.550%	3.550%	3.727%	103.646	3.523%	3.190%	36.0	6/1/20	100.0%
6/1/29	18.5	Serial	4,590,000	5.000%	3.550%	3.550%	4.092%	111.755	3.495%	3.190%	36.0	6/1/20	100.0%
6/1/30	19.5	Serial	6,895,000	5.000%	3.630%	3.630%	4.169%	111.064	3.567%	3.280%	35.0	6/1/20	100.0%
6/1/34	23.5	Serial	3,500,000	5.250%	3.790%	3.790%	4.445%	111.703	3.752%	3.580%	21.0	6/1/20	100.0%
6/1/34	23.5	Serial	26,200,000	4.000%	4.100%	4.191%	4.100%	98.490	3.999%	3.580%	52.0		
6/1/38	27.5	Serial	33,935,000	5.000%	4.010%	4.010%	4.500%	107.852	3.892%	3.670%	34.0	6/1/20	100.0%
Issuance Par:			151,310,000										
Average Life:			17.8 years										

Type of Sale: NEGOTIATED
Underwriter: BANC OF AMERICA MERRILL
Financial Advisor: PUBLIC FINANCIAL MGMT
Tax Status: Tax-Exempt

1st Call Date: 6/1/20
1st Call Price: 100.0%

Ratings	Underlying
Moody's:	Aa2
S & P:	AA
Fitch:	-

Comparable Transactions (Week of Pricing)
Tax-Exempt

Delivering More Than Power.™

LOS RIOS CALIF CMNTY COLLEGE D Pricing Analysis

Dated Date: 10/19/10
Sale Date: 9/29/10

Los Rios CA GO

Maturity Date	Maturity Year	Bond Type	Par Amount	Coupon	Reoffering Yield (ROY)	Yield To Call (YTC)	Yield To Maturity (YTM)	Price	Option Adjusted Yield (OAY)	MMD Analysis 5% AAA G.O. Scale	MMD Analysis ROY Spread	Optional Redemption Pricing Call Date	Optional Redemption Pricing Call Price
8/1/11	1.0	Serial	5,600,000	2.000%	0.300%	0.300%	0.300%	101.328		0.300%	-		
8/1/12	2.0	Serial	3,825,000	3.000%	0.500%	0.500%	0.500%	104.432		0.450%	5.0		
8/1/13	3.0	Serial	320,000	3.000%	0.700%	0.700%	0.700%	106.328		0.630%	7.0		
8/1/14	4.0	Serial	450,000	4.000%	0.880%	0.880%	0.880%	111.583		0.860%	2.0		
8/1/15	5.0	Serial	715,000	4.000%	1.200%	1.200%	1.200%	112.976		1.140%	6.0		
8/1/16	6.0	Serial	1,005,000	4.000%	1.490%	1.490%	1.490%	113.857		1.420%	7.0		
8/1/17	7.0	Serial	1,320,000	4.000%	1.850%	1.850%	1.850%	113.644		1.700%	15.0		
8/1/18	8.0	Serial	1,650,000	4.000%	2.110%	2.110%	2.110%	113.498		1.950%	16.0		
8/1/19	9.0	Serial	2,010,000	4.000%	2.360%	2.360%	2.360%	112.938		2.160%	20.0		
8/1/20	10.0	Serial	2,395,000	4.000%	2.570%	2.570%	2.570%	112.297		2.340%	23.0		
8/1/21	11.0	Serial	2,810,000	4.000%	2.850%	2.850%	2.938%	109.754	2.930%	2.490%	36.0	8/1/20	100.0%
8/1/22	12.0	Serial	3,250,000	4.500%	3.070%	3.070%	3.264%	112.001	3.127%	2.610%	46.0	8/1/20	100.0%
8/1/23	13.0	Serial	3,740,000	4.750%	3.170%	3.170%	3.463%	113.196	3.184%	2.690%	48.0	8/1/20	100.0%
8/1/24	14.0	Serial	4,275,000	5.000%	3.270%	3.270%	3.662%	114.380	3.245%	2.770%	50.0	8/1/20	100.0%
8/1/25	15.0	Serial	4,860,000	5.000%	3.380%	3.380%	3.806%	113.394	3.321%	2.850%	53.0	8/1/20	100.0%
8/1/26	16.0	Serial	5,490,000	5.000%	3.460%	3.460%	3.915%	112.684	3.381%	2.930%	53.0	8/1/20	100.0%
8/1/27	17.0	Serial	6,165,000	5.000%	3.550%	3.550%	4.019%	111.891	3.451%	3.010%	54.0	8/1/20	100.0%
8/1/28	18.0	Serial	6,890,000	5.000%	3.640%	3.640%	4.113%	111.104	3.525%	3.100%	54.0	8/1/20	100.0%
8/1/29	19.0	Serial	7,665,000	5.000%	3.730%	3.730%	4.199%	110.324	3.599%	3.190%	54.0	8/1/20	100.0%
8/1/30	20.0	Serial	8,500,000	5.000%	3.820%	3.820%	4.279%	109.551	3.674%	3.280%	54.0	8/1/20	100.0%
8/1/32	22.0	Serial	19,725,000	4.750%	4.140%	4.140%	4.400%	104.860	3.901%	3.450%	69.0	8/1/20	100.0%
8/1/35	25.0	Serial	37,340,000	5.000%	4.150%	4.150%	4.542%	106.771	3.946%	3.610%	54.0	8/1/20	100.0%
Issuance Par:			130,000,000										
Average Life:			17.8 years										

Type of Sale: NEGOTIATED
Underwriter: STONE & YOUNGBERG LLC
Tax Status: Tax-Exempt

1st Call Date: 8/1/20
1st Call Price: 100.0%

Ratings	Underlying
Moody's:	Aa2
S & P:	AA-
Fitch:	-

Comparable Transactions (Week of Pricing)
Tax-Exempt

Delivering More Than Power.™

JEA FLA ELEC SYS REV Pricing Analysis

Dated Date: 10/21/10
Sale Date: 9/29/10

D-2 2010 JEA

Maturity Date	Maturity Year	Bond Type	Par Amount	Coupon	Reoffering Yield (ROY)	Yield To Call (YTC)	Yield To Maturity (YTM)	Price	Option Adjusted Yield (OAY)	MMD Analysis 5% AAA G.O. Scale	MMD Analysis ROY Spread	Optional Redemption Pricing Call Date	Optional Redemption Pricing Call Price
10/1/20	10.0	Serial	750,000	4.000%	2.950%	2.904%	2.950%	108.991		2.340%	61.0		
10/1/20	10.0	Serial	1,145,000	5.000%	2.950%	2.865%	2.950%	117.555		2.340%	61.0		
10/1/21	11.0	Serial	360,000	4.000%	3.100%	3.100%	3.202%	107.318	3.163%	2.490%	61.0	4/1/20	100.0%
10/1/21	11.0	Serial	1,620,000	5.000%	3.100%	3.100%	3.306%	115.451	3.158%	2.490%	61.0	4/1/20	100.0%
10/1/22	12.0	Serial	4,635,000	5.000%	3.220%	3.220%	3.514%	114.394	3.220%	2.610%	61.0	4/1/20	100.0%
10/1/23	13.0	Serial	3,070,000	5.000%	3.320%	3.320%	3.677%	113.522	3.271%	2.690%	63.0	4/1/20	100.0%
10/1/24	14.0	Serial	3,230,000	5.000%	3.420%	3.420%	3.820%	112.658	3.330%	2.770%	65.0	4/1/20	100.0%
10/1/25	15.0	Serial	490,000	4.000%	3.500%	3.500%	3.651%	103.989	3.404%	2.850%	65.0	4/1/20	100.0%
10/1/26	16.0	Serial	510,000	4.000%	3.580%	3.580%	3.720%	103.338	3.466%	2.930%	65.0	4/1/20	100.0%
10/1/27	17.0	Serial	3,710,000	5.000%	3.650%	3.650%	4.116%	110.700	3.496%	3.010%	64.0	4/1/20	100.0%
10/1/28	18.0	Serial	3,900,000	5.000%	3.750%	3.750%	4.211%	109.862	3.575%	3.100%	65.0	4/1/20	100.0%
10/1/29	19.0	Serial	4,090,000	5.000%	3.830%	3.830%	4.286%	109.196	3.642%	3.190%	64.0	4/1/20	100.0%
10/1/30	20.0	Serial	640,000	4.000%	3.950%	3.950%	3.971%	100.389	3.772%	3.280%	67.0	4/1/20	100.0%
10/1/38	28.0	Serial	10,440,000	4.250%	4.400%	4.566%	4.400%	97.598	4.163%	3.670%	73.0		
10/1/38	28.0	Serial	37,605,000	5.000%	4.150%	4.150%	4.580%	106.583	3.940%	3.670%	48.0	4/1/20	100.0%
Issuance Par:			76,195,000										
Average Life:			23.1 years										

Type of Sale: NEGOTIATED
Underwriter: CITIGROUP GLOBAL MKTS INC
Tax Status: Tax-Exempt

1st Call Date: 4/1/20
1st Call Price: 100.0%

	Ratings	Underlying
Moody's:	Aa2	
S & P:	AA-	
Fitch:	AA-	

Comparable Transactions (Week of Pricing)
Tax-Exempt

Delivering More Than Power.™

MARIN CNTY CALIF CTFS PARTN Pricing Analysis

Dated Date: 10/13/10
Sale Date: 9/28/10

Marin Cnty CA COPs

Maturity Date	Maturity Year	Bond Type	Par Amount	Coupon	Reoffering Yield (ROY)	Yield To Call (YTC)	Yield To Maturity (YTM)	Price	Option Adjusted Yield (OAY)	MMD Analysis 5% AAA G.O. Scale	MMD Analysis ROY Spread	Optional Redemption Pricing Call Date	Optional Redemption Pricing Call Price
8/1/11	1.0	Serial	2,175,000	2.000%	0.400%	0.400%	0.400%	101.276		0.300%	10.0		
8/1/12	2.0	Serial	1,760,000	2.000%	0.600%	0.600%	0.600%	102.502		0.450%	15.0		
8/1/13	3.0	Serial	1,795,000	2.000%	0.800%	0.800%	0.800%	103.315		0.620%	18.0		
8/1/14	4.0	Serial	1,830,000	2.000%	1.000%	1.000%	1.000%	103.718		0.840%	16.0		
8/1/15	5.0	Serial	1,870,000	3.000%	1.350%	1.350%	1.350%	107.642		1.140%	21.0		
8/1/16	6.0	Serial	1,925,000	3.000%	1.660%	1.660%	1.660%	107.378		1.420%	24.0		
8/1/17	7.0	Serial	1,985,000	3.000%	1.950%	1.950%	1.950%	106.654		1.700%	25.0		
8/1/18	8.0	Serial	2,040,000	3.000%	2.200%	2.200%	2.200%	105.703		1.940%	26.0		
8/1/19	9.0	Serial	2,105,000	3.000%	2.400%	2.400%	2.400%	104.732		2.140%	26.0		
8/1/20	10.0	Serial	2,165,000	3.000%	2.600%	2.600%	2.600%	103.438		2.320%	28.0		
8/1/21	11.0	Serial	2,230,000	3.000%	2.800%	2.800%	2.816%	101.701	2.815%	2.470%	33.0	8/1/20	100.0%
8/1/22	12.0	Serial	2,300,000	3.000%	3.000%	3.000%	3.000%	100.000	2.994%	2.590%	41.0	8/1/20	100.0%
8/1/23	13.0	Serial	2,365,000	4.000%	3.150%	3.150%	3.313%	107.115	3.171%	2.670%	48.0	8/1/20	100.0%
8/1/24	14.0	Serial	1,460,000	4.000%	3.300%	3.300%	3.466%	105.816	3.276%	2.750%	55.0	8/1/20	100.0%
8/1/25	15.0	Serial	1,520,000	4.000%	3.450%	3.450%	3.602%	104.536	3.382%	2.830%	62.0	8/1/20	100.0%
8/1/26	16.0	Serial	1,580,000	4.000%	3.600%	3.600%	3.724%	103.274	3.489%	2.910%	69.0	8/1/20	100.0%
8/1/27	17.0	Serial	1,645,000	4.000%	3.700%	3.700%	3.802%	102.442	3.568%	3.000%	70.0	8/1/20	100.0%
8/1/28	18.0	Serial	1,710,000	4.000%	3.800%	3.800%	3.873%	101.619	3.648%	3.090%	71.0	8/1/20	100.0%
8/1/29	19.0	Serial	1,780,000	4.000%	3.900%	3.900%	3.939%	100.803	3.727%	3.180%	72.0	8/1/20	100.0%
8/1/30	20.0	Serial	1,850,000	4.000%	4.000%	4.000%	4.000%	100.000	3.807%	3.270%	73.0	8/1/20	100.0%
8/1/31	21.0	Serial	1,925,000	4.000%	4.100%	4.174%	4.100%	98.604	3.927%	3.360%	74.0		
8/1/32	22.0	Serial	2,000,000	4.200%	4.200%	4.200%	4.200%	100.000	3.953%	3.440%	76.0	8/1/20	100.0%
8/1/33	23.0	Serial	2,085,000	4.250%	4.300%	4.341%	4.300%	99.272	4.050%	3.520%	78.0		
8/1/34	24.0	Serial	2,175,000	4.250%	4.350%	4.437%	4.350%	98.521	4.113%	3.570%	78.0		
8/1/35	25.0	Serial	2,265,000	4.375%	4.400%	4.423%	4.400%	99.619	4.104%	3.600%	80.0		
8/1/36	26.0	Serial	2,365,000	4.375%	4.450%	4.521%	4.450%	98.850	4.155%	3.630%	82.0		
8/1/40	30.0	Serial	10,635,000	5.000%	4.300%	4.300%	4.654%	105.543	4.004%	3.680%	62.0	8/1/20	100.0%
Issuance Par:			61,540,000										
Average Life:			16.3 years										

Type of Sale: COMPETITIVE
Underwriter: MORGAN STANLEY
Bond Counsel: QUINT & THIMMIG LLP
Financial Advisor: WULFF HANSEN & CO
Tax Status: Tax-Exempt

1st Call Date: 8/1/20
1st Call Price: 100.0%

Ratings	Underlying
Moody's:	Aa2
S & P:	AA+
Fitch:	-

Comparable Transactions (Week of Pricing)
Tax-Exempt

Delivering More Than Power.™

DALLAS TEX AREA RAPID TRAN SAL Pricing Analysis

Dated Date: 10/7/10
Sale Date: 9/28/10

Dallas Area Rapid Trans.

Maturity Date	Maturity Year	Bond Type	Par Amount	Coupon	Reoffering Yield (ROY)	Yield To Call (YTC)	Yield To Maturity (YTM)	Price	Option Adjusted Yield (OAY)	MMD Analysis 5% AAA G.O. Scale	MMD Analysis ROY Spread	Optional Redemption Pricing Call Date	Optional Redemption Pricing Call Price
12/1/13	3.0	Serial	5,420,000	2.000%	0.870%	0.870%	0.870%	103.503		0.620%	25.0		
12/1/13	3.0	Serial	8,945,000	5.000%	0.870%	0.870%	0.870%	112.804		0.620%	25.0		
12/1/14	4.0	Serial	4,320,000	2.000%	1.140%	1.140%	1.140%	103.475		0.840%	30.0		
12/1/14	4.0	Serial	10,615,000	5.000%	1.140%	1.140%	1.140%	115.601		0.840%	30.0		
12/1/15	5.0	Serial	1,750,000	3.000%	1.450%	1.450%	1.450%	107.663		1.140%	31.0		
12/1/15	5.0	Serial	2,685,000	5.000%	1.450%	1.450%	1.450%	117.553		1.140%	31.0		
12/1/16	6.0	Serial	2,375,000	4.000%	1.730%	1.730%	1.730%	113.187		1.420%	31.0		
12/1/17	7.0	Serial	1,895,000	3.000%	2.010%	2.010%	2.010%	106.561		1.700%	31.0		
12/1/18	8.0	Serial	1,535,000	5.000%	2.290%	2.290%	2.290%	120.040		1.940%	35.0		
12/1/19	9.0	Serial	15,720,000	5.000%	2.490%	2.490%	2.490%	120.421		2.140%	35.0		
12/1/20	10.0	Serial	5,275,000	5.000%	2.670%	2.670%	2.670%	120.592		2.320%	35.0		
12/1/21	11.0	Serial	5,540,000	5.000%	2.820%	2.820%	2.972%	119.122	2.929%	2.470%	35.0	12/1/20	100.0%
12/1/22	12.0	Serial	5,825,000	5.000%	2.940%	2.940%	3.203%	117.960	3.008%	2.590%	35.0	12/1/20	100.0%
12/1/23	13.0	Serial	23,335,000	5.000%	3.020%	3.020%	3.370%	117.194	3.057%	2.670%	35.0	12/1/20	100.0%
Issuance Par:			95,235,000										
Average Life:			8.5 years										

Type of Sale: NEGOTIATED
Underwriter: BANC OF AMERICA MERRILL
Bond Counsel: FULBRIGHT & JAWORSKI LLP
Financial Advisor: ESTRADA HINOJOSA & CO INC
Tax Status: Tax-Exempt

1st Call Date: 12/1/20
1st Call Price: 100.0%

Ratings	Underlying
Moody's:	Aa2
S & P:	AA+
Fitch:	-

Comparable Transactions (Week of Pricing)
Tax-Exempt

Delivering More Than Power.™

BROOMFIELD COLO CTFS PARTN Pricing Analysis

Dated Date: 10/29/10
Sale Date: 9/28/10

Broomfield CO COPs

Maturity Date	Maturity Year	Bond Type	Par Amount	Coupon	Reoffering Yield (ROY)	Yield To Call (YTC)	Yield To Maturity (YTM)	Price	Option Adjusted Yield (OAY)	MMD Analysis 5% AAA G.O. Scale	MMD Analysis ROY Spread	Optional Redemption Pricing Call Date	Optional Redemption Pricing Call Price
12/1/11	1.0	Serial	4,950,000	2.000%	0.670%	0.670%	0.670%	101.440		0.300%	37.0		
12/1/12	2.0	Serial	5,380,000	3.000%	0.950%	0.950%	0.950%	104.229		0.450%	50.0		
12/1/13	3.0	Serial	5,540,000	3.000%	1.240%	1.240%	1.240%	105.316		0.620%	62.0		
12/1/14	4.0	Serial	1,000,000	2.000%	1.570%	1.570%	1.570%	101.695		0.840%	73.0		
12/1/14	4.0	Serial	4,710,000	5.000%	1.570%	1.570%	1.570%	113.531		0.840%	73.0		
12/1/15	5.0	Serial	175,000	2.250%	2.010%	2.010%	2.010%	101.154		1.140%	87.0		
12/1/15	5.0	Serial	5,790,000	5.000%	2.010%	2.010%	2.010%	114.393		1.140%	87.0		
12/1/16	6.0	Serial	4,700,000	5.000%	2.360%	2.360%	2.360%	114.889		1.420%	94.0		
12/1/17	7.0	Serial	5,020,000	4.000%	2.640%	2.640%	2.640%	108.738		1.700%	94.0		
12/1/18	8.0	Serial	5,215,000	5.000%	2.880%	2.880%	2.880%	115.197		1.940%	94.0		
12/1/19	9.0	Serial	5,480,000	4.375%	3.060%	3.060%	3.060%	110.362		2.140%	92.0		
12/1/20	10.0	Serial	5,720,000	5.000%	3.220%	3.220%	3.220%	115.226		2.320%	90.0		
12/1/21	11.0	Serial	2,330,000	4.625%	3.370%	3.370%	3.460%	110.655	3.432%	2.470%	90.0	12/1/20	100.0%
12/1/22	12.0	Serial	2,440,000	5.000%	3.490%	3.490%	3.684%	112.745	3.476%	2.590%	90.0	12/1/20	100.0%
12/1/23	13.0	Serial	2,565,000	5.000%	3.570%	3.570%	3.824%	112.022	3.491%	2.670%	90.0	12/1/20	100.0%
12/1/24	14.0	Serial	2,685,000	5.000%	3.650%	3.650%	3.946%	111.305	3.519%	2.750%	90.0	12/1/20	100.0%
12/1/25	15.0	Serial	2,820,000	5.000%	3.730%	3.730%	4.054%	110.593	3.556%	2.830%	90.0	12/1/20	100.0%
12/1/26	16.0	Serial	2,965,000	5.000%	3.810%	3.810%	4.151%	109.887	3.601%	2.910%	90.0	12/1/20	100.0%
12/1/27	17.0	Serial	3,115,000	5.000%	3.900%	3.900%	4.246%	109.098	3.662%	3.000%	90.0	12/1/20	100.0%
12/1/28	18.0	Serial	3,265,000	4.500%	3.990%	3.990%	4.167%	104.198	3.746%	3.090%	90.0	12/1/20	100.0%
12/1/29	19.0	Serial	11,845,000	5.000%	4.080%	4.080%	4.411%	107.542	3.793%	3.180%	90.0	12/1/20	100.0%
Issuance Par:			87,710,000										
Average Life:			9.8 years										

Type of Sale: NEGOTIATED
Underwriter: RBC CAPITAL MARKETS
Bond Counsel: HAHN SMITH WALSH MANCUSO
Tax Status: Tax-Exempt

1st Call Date: 12/1/20
1st Call Price: 100.0%

Ratings	Underlying
Moody's:	Aa3
S & P:	-
Fitch:	-

Comparable Transactions (Week of Pricing) Tax-Exempt

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NEW YORK ST URBAN DEV CORP REV Pricing Analysis

Dated Date: 10/5/10
Sale Date: 9/28/10

NYS Urban Dev. Corp.

Maturity Date	Maturity Year	Bond Type	Par Amount	Coupon	Reoffering Yield (ROY)	Yield To Call (YTC)	Yield To Maturity (YTM)	Price	Option Adjusted Yield (OAY)	MMD Analysis 5% AAA G.O. Scale	MMD Analysis ROY Spread	Optional Redemption Pricing Call Date	Optional Redemption Pricing Call Price
1/1/12	1.0	Serial	75,740,000	5.000%	0.700%	0.700%	0.700%	105.293		0.450%	25.0		
1/1/13	2.0	Serial	96,125,000	5.000%	0.950%	0.950%	0.950%	108.949		0.620%	33.0		
1/1/14	3.0	Serial	103,015,000	5.000%	1.150%	1.150%	1.150%	112.204		0.840%	31.0		
1/1/15	4.0	Serial	106,850,000	5.000%	1.420%	1.420%	1.420%	114.674		1.140%	28.0		
1/1/16	5.0	Serial	80,960,000	5.000%	1.740%	1.740%	1.740%	116.253		1.420%	32.0		
1/1/17	6.0	Serial	4,645,000	4.000%	2.000%	2.000%	2.000%	111.673		1.700%	30.0		
Issuance Par:			467,335,000										
Average Life:			3.3 years										

Type of Sale: COMPETITIVE
Underwriter: CITIGROUP GLOBAL MKTS INC
Bond Counsel: HAWKINS DELAFIELD & WOOD
Financial Advisor: PUBLIC RESOURCES ADV GRP
Tax Status: Tax-Exempt

1st Call Date: Non-callable
1st Call Price: n/a

Ratings	Underlying
Moody's:	-
S & P:	AA-
Fitch:	AA-

Comparable Transactions (Week of Pricing) Tax-Exempt

Delivering More Than Power.™

ROANOKE VA ECONOMIC DEV AUTH Pricing Analysis

Dated Date: 10/13/10
Sale Date: 9/30/10

Roanoke Econ. Dev. Auth.

Maturity Date	Maturity Year	Bond Type	Par Amount	Coupon	Reoffering Yield (ROY)	Yield To Call (YTC)	Yield To Maturity (YTM)	Price	Option Adjusted Yield (OAY)	MMD Analysis 5% AAA G.O. Scale	MMD Analysis ROY Spread	Optional Redemption Pricing Call Date	Optional Redemption Pricing Call Price
7/1/25	14.5	Serial	48,625,000	5.000%	4.480%	4.480%	4.617%	104.053	4.083%	2.870%	161.0	7/1/20	100.0%
7/1/33	22.5	Serial	47,115,000	5.000%	4.780%	4.780%	4.876%	101.686	4.240%	3.540%	124.0	7/1/20	100.0%
Issuance Par:			95,740,000										
Average Life:			18.7 years										

Type of Sale: NEGOTIATED
Underwriter: GOLDMAN SACHS & COMPANY
Bond Counsel: MCGUIREWOODS LLP
Tax Status: Tax-Exempt

1st Call Date: 7/1/20
1st Call Price: 100.0%

Ratings	Underlying
Moody's:	A1
S & P:	A+
Fitch:	-

Comparable Transactions (Week of Pricing)
Tax-Exempt

Delivering More Than Power.™

SOUTHEASTERN PA TRANSN AUTH Pricing Analysis

Dated Date: 10/6/10
Sale Date: 9/28/10

SEPTA Ref.

Maturity Date	Maturity Year	Bond Type	Par Amount	Coupon	Reoffering Yield (ROY)	Yield To Call (YTC)	Yield To Maturity (YTM)	Price	Option Adjusted Yield (OAY)	MMD Analysis 5% AAA G.O. Scale	MMD Analysis ROY Spread	Optional Redemption Pricing Call Date	Optional Redemption Pricing Call Price
3/1/11	0.5	Serial	13,340,000	2.000%	0.330%	0.330%	0.330%	100.671		0.300%	3.0		
3/1/12	1.5	Serial	10,150,000	2.000%	0.780%	0.780%	0.780%	101.698		0.450%	33.0		
3/1/12	1.5	Serial	3,110,000	5.000%	0.780%	0.780%	0.780%	105.875		0.450%	33.0		
3/1/13	2.5	Serial	3,950,000	3.000%	1.020%	1.020%	1.020%	104.687		0.620%	40.0		
3/1/13	2.5	Serial	8,055,000	5.000%	1.020%	1.020%	1.020%	109.422		0.620%	40.0		
3/1/14	3.5	Serial	10,090,000	3.000%	1.370%	1.370%	1.370%	105.400		0.840%	53.0		
3/1/14	3.5	Serial	2,435,000	5.000%	1.370%	1.370%	1.370%	112.027		0.840%	53.0		
3/1/15	4.5	Serial	12,955,000	3.000%	1.730%	1.730%	1.730%	105.360		1.140%	59.0		
3/1/16	5.5	Serial	5,800,000	3.000%	2.030%	2.030%	2.030%	104.938		1.420%	61.0		
3/1/16	5.5	Serial	7,545,000	5.000%	2.030%	2.030%	2.030%	115.123		1.420%	61.0		
3/1/17	6.5	Serial	11,950,000	4.000%	2.380%	2.380%	2.380%	109.566		1.700%	68.0		
3/1/17	6.5	Serial	1,940,000	5.000%	2.380%	2.380%	2.380%	115.472		1.700%	68.0		
3/1/18	7.5	Serial	8,625,000	4.000%	2.590%	2.590%	2.590%	109.440		1.940%	65.0		
3/1/18	7.5	Serial	5,845,000	5.000%	2.590%	2.590%	2.590%	116.137		1.940%	65.0		
3/1/19	8.5	Serial	15,100,000	5.000%	2.820%	2.820%	2.820%	116.205		2.140%	68.0		
3/1/20	9.5	Serial	15,910,000	5.000%	3.000%	3.000%	3.000%	116.277		2.320%	68.0		
3/1/21	10.5	Serial	9,105,000	5.000%	3.170%	3.170%	3.309%	114.776	3.258%	2.470%	70.0	3/1/20	100.0%
3/1/22	11.5	Serial	9,560,000	5.000%	3.290%	3.290%	3.527%	113.730	3.306%	2.590%	70.0	3/1/20	100.0%
3/1/23	12.5	Serial	10,035,000	5.000%	3.370%	3.370%	3.681%	113.039	3.332%	2.670%	70.0	3/1/20	100.0%
3/1/24	13.5	Serial	10,540,000	5.000%	3.450%	3.450%	3.814%	112.353	3.369%	2.750%	70.0	3/1/20	100.0%
Issuance Par:			176,040,000										
Average Life:			6.6 years										

Type of Sale: NEGOTIATED
Underwriter: CITIGROUP GLOBAL MKTS INC
Financial Advisor: PUBLIC FINANCIAL MGMT
Tax Status: Tax-Exempt

1st Call Date: 3/1/20
1st Call Price: 100.0%

Ratings	Underlying
Moody's:	A1
S & P:	AA-
Fitch:	AA

Comparable Transactions (Week of Pricing)
Tax-Exempt

Delivering More Than Power.™

NEBRASKA PUB PWR DIST REV Pricing Analysis

Dated Date: 10/20/10
Sale Date: 9/28/10

Nebraska Pub Pwr Dist

Maturity Date	Maturity Year	Bond Type	Par Amount	Coupon	Reoffering Yield (ROY)	Yield To Call (YTC)	Yield To Maturity (YTM)	Price	Option Adjusted Yield (OAY)	MMD Analysis 5% AAA G.O. Scale	MMD Analysis ROY Spread	Optional Redemption Pricing Call Date	Optional Redemption Pricing Call Price
1/1/12	1.0	Serial	6,515,000	4.000%	0.750%	0.750%	0.750%	103.865		0.450%	30.0		
1/1/13	2.0	Serial	5,400,000	3.500%	0.920%	0.920%	0.920%	105.598		0.620%	30.0		
1/1/13	2.0	Serial	5,685,000	5.000%	0.920%	0.920%	0.920%	108.853		0.620%	30.0		
1/1/14	3.0	Serial	8,450,000	4.000%	1.190%	1.190%	1.190%	108.788		0.840%	35.0		
1/1/14	3.0	Serial	5,370,000	5.000%	1.190%	1.190%	1.190%	111.916		0.840%	35.0		
1/1/15	4.0	Serial	6,785,000	4.000%	1.530%	1.530%	1.530%	110.002		1.140%	39.0		
1/1/15	4.0	Serial	7,655,000	5.000%	1.530%	1.530%	1.530%	114.052		1.140%	39.0		
1/1/16	5.0	Serial	8,595,000	4.000%	1.860%	1.860%	1.860%	110.552		1.420%	44.0		
1/1/16	5.0	Serial	6,500,000	5.000%	1.860%	1.860%	1.860%	115.484		1.420%	44.0		
1/1/17	6.0	Serial	5,945,000	4.250%	2.210%	2.210%	2.210%	111.751		1.700%	51.0		
1/1/17	6.0	Serial	9,815,000	5.000%	2.210%	2.210%	2.210%	116.072		1.700%	51.0		
1/1/18	7.0	Serial	8,075,000	5.000%	2.490%	2.490%	2.490%	116.441		1.940%	55.0		
1/1/19	8.0	Serial	8,495,000	5.000%	2.660%	2.660%	2.660%	117.128		2.140%	52.0		
1/1/20	9.0	Serial	4,755,000	5.000%	2.870%	2.870%	2.870%	117.106		2.320%	55.0		
1/1/21	10.0	Serial	4,985,000	3.000%	3.070%	3.070%	3.070%	99.388		2.470%	60.0		
1/1/22	11.0	Serial	4,065,000	5.000%	3.240%	3.240%	3.362%	115.175	3.327%	2.590%	65.0	1/1/21	100.0%
1/1/23	12.0	Serial	4,275,000	5.000%	3.320%	3.320%	3.533%	114.427	3.351%	2.670%	65.0	1/1/21	100.0%
1/1/24	13.0	Serial	4,475,000	5.000%	3.400%	3.400%	3.681%	113.685	3.384%	2.750%	65.0	1/1/21	100.0%
1/1/25	14.0	Serial	4,695,000	5.000%	3.480%	3.480%	3.810%	112.949	3.427%	2.830%	65.0	1/1/21	100.0%
1/1/26	15.0	Serial	610,000	4.000%	3.560%	3.560%	3.677%	103.730	3.496%	2.910%	65.0	1/1/21	100.0%
1/1/26	15.0	Serial	4,330,000	5.000%	3.560%	3.560%	3.924%	112.218	3.477%	2.910%	65.0	1/1/21	100.0%
1/1/31	20.0	Serial	6,165,000	4.000%	4.036%	4.060%	4.036%	99.501	3.887%	3.360%	67.6		
1/1/31	20.0	Serial	14,180,000	5.000%	3.960%	3.960%	4.351%	108.650	3.792%	3.360%	60.0	1/1/21	100.0%
Issuance Par:			147,100,000										
Average Life:			8.5 years										

Type of Sale: NEGOTIATED
Underwriter: SAMUEL A RAMIREZ & CO INC
Bond Counsel: FULBRIGHT & JAWORSKI LLP
Tax Status: Tax-Exempt

1st Call Date: 1/1/21
1st Call Price: 100.0%

Ratings	Underlying
Moody's:	A1
S & P:	A
Fitch:	A+

Comparable Transactions (Week of Pricing)
Tax-Exempt

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ROSEVILLE CALIF FIN AUTH ELEC Pricing Analysis

Dated Date: 10/21/10
Sale Date: 9/28/10

Roseville Elec. Sys. Rev.

Maturity Date	Maturity Year	Bond Type	Par Amount	Coupon	Reoffering Yield (ROY)	Yield To Call (YTC)	Yield To Maturity (YTM)	Price	Option Adjusted Yield (OAY)	MMD Analysis 5% AAA G.O. Scale	MMD Analysis ROY Spread	Optional Redemption Pricing Call Date	Optional Redemption Pricing Call Price
2/1/12	1.5	Serial	305,000	2.000%	0.900%	0.900%	0.900%	101.393		0.450%	45.0		
2/1/13	2.5	Serial	330,000	2.000%	1.190%	1.190%	1.190%	101.814		0.620%	57.0		
2/1/14	3.5	Serial	355,000	2.000%	1.510%	1.510%	1.510%	101.560		0.840%	67.0		
2/1/15	4.5	Serial	375,000	3.000%	1.870%	1.870%	1.870%	104.623		1.140%	73.0		
2/1/16	5.5	Serial	405,000	4.000%	2.190%	2.190%	2.190%	108.972		1.420%	77.0		
2/1/17	6.5	Serial	440,000	4.000%	2.520%	2.520%	2.520%	108.540		1.700%	82.0		
2/1/18	7.5	Serial	470,000	4.000%	2.750%	2.750%	2.750%	108.190		1.940%	81.0		
2/1/19	8.5	Serial	505,000	4.500%	2.980%	2.980%	2.980%	111.073		2.140%	84.0		
2/1/20	9.5	Serial	545,000	5.000%	3.120%	3.120%	3.120%	115.038		2.320%	80.0		
2/1/21	10.5	Serial	600,000	4.000%	3.320%	3.320%	3.375%	105.387	3.365%	2.470%	85.0	2/1/20	100.0%
2/1/22	11.5	Serial	645,000	4.000%	3.440%	3.440%	3.522%	104.411	3.441%	2.590%	85.0	2/1/20	100.0%
2/1/23	12.5	Serial	685,000	5.000%	3.520%	3.520%	3.806%	111.622	3.448%	2.670%	85.0	2/1/20	100.0%
2/1/24	13.5	Serial	550,000	5.000%	3.600%	3.600%	3.932%	110.954	3.476%	2.750%	85.0	2/1/20	100.0%
2/1/25	14.5	Serial	1,140,000	5.000%	3.680%	3.680%	4.044%	110.290	3.515%	2.830%	85.0	2/1/20	100.0%
2/1/30	19.5	Serial	6,270,000	5.000%	4.130%	4.130%	4.481%	106.642	3.831%	3.270%	86.0	2/1/20	100.0%
2/1/37	26.5	Serial	42,225,000	5.000%	4.450%	4.450%	4.723%	104.136	4.076%	3.650%	80.0	2/1/20	100.0%
Issuance Par:			55,845,000										
Average Life:			23.2 years										

Type of Sale: NEGOTIATED
Underwriter: MORGAN STANLEY
Bond Counsel: JONES HALL
Financial Advisor: PUBLIC FINANCIAL MGMT
Tax Status: Tax-Exempt

1st Call Date: 2/1/20
1st Call Price: 100.0%

Ratings	Underlying
Moody's:	-
S & P:	A+
Fitch:	A+

Comparable Transactions (Week of Pricing) Tax-Exempt

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LOUISIANA PUB FACS AUTH REV Pricing Analysis

Dated Date: 10/5/10
Sale Date: 9/28/10

Lousiana Entergy LA LLC

Maturity Date	Maturity Year	Bond Type	Par Amount	Coupon	Reoffering Yield (ROY)	Yield To Call (YTC)	Yield To Maturity (YTM)	Price	Option Adjusted Yield (OAY)	MMD Analysis 5% AAA G.O. Scale	MMD Analysis ROY Spread	Optional Redemption Pricing Call Date	Optional Redemption Pricing Call Price
6/1/30	19.5	Serial	115,000,000	5.000%	4.999%	4.999%	5.000%	99.997	3.885%	3.270%	172.9		
Issuance Par:			115,000,000										
Average Life:			19.7 years										

Type of Sale:	NEGOTIATED	1st Call Date:	12/1/15	Ratings	Underlying
Underwriter:	MORGAN STANLEY	1st Call Price:	100.0%	Moody's:	A3
Bond Counsel:	FOLEY & JUDELL LLP			S & P:	A-
Tax Status:	Tax-Exempt			Fitch:	-

Comparable Transactions (Week of Pricing)
Tax-Exempt

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LOUISIANA PUB FACS AUTH REV Pricing Analysis

Dated Date: 10/5/10
Sale Date: 9/28/10

Entergy Gulf STS

Maturity Date	Maturity Year	Bond Type	Par Amount	Coupon	Reoffering Yield (ROY)	Yield To Call (YTC)	Yield To Maturity (YTM)	Price	Option Adjusted Yield (OAY)	MMD Analysis 5% AAA G.O. Scale	MMD Analysis ROY Spread	Optional Redemption Pricing Call Date	Optional Redemption Pricing Call Price
9/1/28	18.0	Serial	83,680,000	5.000%	5.000%	5.000%	5.000%	100.000		0.300%	95.0	9/1/15	100.0%
Issuance Par:			83,680,000										
Average Life:			17.9 years										

Type of Sale:	NEGOTIATED	1st Call Date:	9/1/15	Ratings	Underlying
Underwriter:	MORGAN STANLEY	1st Call Price:	100.0%	Moody's:	A3
Bond Counsel:	FOLEY & JUDELL LLP			S & P:	BBB+
Tax Status:	Tax-Exempt			Fitch:	-

Comparable Transactions (Week of Pricing)
Tax-Exempt

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PIMA CNTY ARIZ INDL DEV AUTH I Pricing Analysis

Dated Date: 10/5/10
Sale Date: 9/28/10

Pima Cnty AZ Indl. Dev. Auth.

Maturity Date	Maturity Year	Bond Type	Par Amount	Coupon	Reoffering Yield (ROY)	Yield To Call (YTC)	Yield To Maturity (YTM)	Price	Option Adjusted Yield (OAY)	MMD Analysis 5% AAA G.O. Scale	MMD Analysis ROY Spread	Optional Redemption Pricing Call Date	Optional Redemption Pricing Call Price
10/1/40	30.0	Serial	100,000,000	5.250%	5.250%	5.250%	5.250%	100.000	4.391%	3.680%	157.0	10/1/20	100.0%
Issuance Par:			100,000,000										
Average Life:			30.0 years										

Type of Sale: NEGOTIATED
Underwriter: JP MORGAN SECURITIES INC
Tax Status: Tax-Exempt

1st Call Date: 10/1/20
1st Call Price: 100.0%

Ratings	Underlying
Moody's:	Baa3
S & P:	BBB-
Fitch:	BBB-

Comparable Transactions (Week of Pricing)
Tax-Exempt

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NORTH CAROLINA MED CARE COMMN Pricing Analysis

Dated Date: 10/21/10
Sale Date: 9/30/10

NC Med Care- Galloway Ridge

Maturity Date	Maturity Year	Bond Type	Par Amount	Coupon	Reoffering Yield (ROY)	Yield To Call (YTC)	Yield To Maturity (YTM)	Price	Option Adjusted Yield (OAY)	MMD Analysis 5% AAA G.O. Scale	MMD Analysis ROY Spread	Optional Redemption Pricing Call Date	Optional Redemption Pricing Call Price
1/1/12	1.0	Serial	400,000	2.900%	2.900%	2.900%	2.900%	99.997		0.470%	243.0		
1/1/13	2.0	Serial	815,000	3.150%	3.150%	3.150%	3.150%	100.000		0.650%	250.0		
1/1/14	3.0	Serial	960,000	3.400%	3.400%	3.400%	3.400%	100.000		0.890%	251.0		
1/1/15	4.0	Serial	1,325,000	3.700%	3.700%	3.700%	3.700%	100.000		1.170%	253.0		
1/1/16	5.0	Serial	1,370,000	3.875%	3.950%	3.950%	3.950%	99.646		1.460%	249.0		
1/1/17	6.0	Serial	1,425,000	4.125%	4.200%	4.200%	4.200%	99.589		1.740%	246.0		
1/1/18	7.0	Serial	1,485,000	4.300%	4.380%	4.380%	4.380%	99.505		1.990%	239.0		
1/1/19	8.0	Serial	1,545,000	4.500%	4.580%	4.580%	4.580%	99.452		2.200%	238.0		
1/1/20	9.0	Serial	1,615,000	4.625%	4.680%	4.680%	4.680%	99.586		2.380%	230.0		
1/1/21	10.0	Serial	1,690,000	4.750%	4.880%	4.891%	4.880%	98.958	4.840%	2.530%	235.0		
1/1/22	11.0	Serial	1,770,000	5.000%	5.000%	5.000%	5.000%	100.000	4.747%	2.640%	236.0	1/1/20	100.0%
1/1/23	12.0	Serial	550,000	5.000%	5.100%	5.124%	5.100%	99.092	4.696%	2.710%	239.0		
1/1/31	20.0	Serial	20,675,000	5.875%	5.900%	5.917%	5.900%	99.697	4.709%	3.380%	252.0		
1/1/39	28.0	Serial	25,555,000	6.000%	6.020%	6.039%	6.020%	99.719	4.652%	3.690%	233.0		
Issuance Par:			61,180,000										
Average Life:			20.4 years										

Type of Sale: NEGOTIATED
Underwriter: BB&T CAPITAL MARKETS
Tax Status: Tax-Exempt

1st Call Date: 1/1/20
1st Call Price: 100.0%