

RESOLUTION NO. 10-URA2

BY THE BOARD OF COMMISSIONERS OF THE URBAN RENEWAL AGENCY OF THE CITY OF KETCHUM, IDAHO:

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE URBAN RENEWAL AGENCY OF THE CITY OF KETCHUM, IDAHO, AUTHORIZING THE ISSUANCE OF REVENUE ALLOCATION (TAX INCREMENT) REFUNDING BONDS, SERIES 2010, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$6,750,000; DESCRIBING THE OUTSTANDING PROMISSORY NOTES TO BE REFUNDED AND RETIRED WITH THE PROCEEDS OF THE BONDS; DESCRIBING THE BONDS; PROVIDING FOR THE COLLECTION, HANDLING, AND DISPOSITION OF REVENUE ALLOCATION PROCEEDS; PROVIDING FOR THE SALE AND DELIVERY OF THE BONDS AND THE EXECUTION OF A BOND PURCHASE AGREEMENT THEREFOR; PROVIDING COVENANTS WITH RESPECT TO THE BONDS; PROVIDING FOR OTHER MATTERS RELATING THERETO; AND PROVIDING AN EFFECTIVE DATE

WHEREAS, the Urban Renewal Agency of the City of Ketchum, of Blaine County, Idaho (the "Agency"), is an independent public body corporate and politic and is an urban renewal agency created and existing under the authority of the Idaho Urban Renewal Law of 1965, Title 50, Chapter 20, Idaho Code, as amended and supplemented; and

WHEREAS, the Agency is authorized to issue revenue allocation (tax increment) bonds pursuant to the terms and provisions of the Local Economic Development Act, the same being Title 50, Chapter 29, Idaho Code (the "Act") as amended and supplemented, for the purpose of currently refunding certain existing indebtedness of the Agency; and

WHEREAS, the City of Ketchum (the "City"), by adoption of Ordinance No. 992 on November 15, 2006, duly adopted the Ketchum Urban Renewal Plan to be administered by the Agency; and

WHEREAS, the Urban Renewal Plan contains a revenue allocation (tax increment) financing provision, as provided by Section 50-2904, Idaho Code; and

WHEREAS, the Agency heretofore, pursuant to Resolution No. 07-URA15, adopted on September 4, 2007, issued, sold, and delivered its Revenue Allocation Note, Series 2007A (the "Series 2007A Note"), in the principal amount of \$1,000,000 to finance an urban renewal project pursuant to the Urban Renewal Plan; and

WHEREAS, the Agency heretofore, pursuant to Resolution No. 07-URA22, adopted on November 5, 2007, issued, sold, and

delivered its Revenue Allocation Note, Series 2007B (the "Series 2007B Note"), in the principal amount of \$2,560,000 to finance an urban renewal project pursuant to the Urban Renewal Plan; and

WHEREAS, the Agency heretofore, pursuant to Resolution No. 07-URA21, adopted on November 5, 2007, issued, sold, and delivered its Revenue Allocation Note, Series 2007C (the "Series 2007C Note"), in the principal amount of \$2,000,000 to finance an urban renewal project pursuant to the Urban Renewal Plan; and

WHEREAS, pursuant to Resolution No. 07-URA23, adopted by the Board on December 3, 2007, the Agency caused to be filed a petition in the District Court of the Fifth Judicial District of the State of Idaho, in and for the County of Blaine (the "District Court"), seeking judicial confirmation of the validity of the Series 2007A Note, pursuant to the Idaho Judicial Confirmation Law, the same being Title 7, Chapter 13, Idaho Code; and

WHEREAS, on March 14, 2008, pursuant to the petition for judicial confirmation, the District Court, in Case No. CV 2008-78, duly entered its Findings of Fact, Conclusions of Law, Judgment and Decree on the petition, determining, among other matters, that the Agency is authorized to issue the 2007A Note, and that the 2007A Note and the Urban Renewal Plan are valid and enforceable under the Constitution and laws of the State of Idaho; and

WHEREAS, pursuant to Resolution No. 10-URA1, adopted by the Board on February 16, 2010, the Agency caused to be filed a petition in the District Court of the Fifth Judicial District of the State of Idaho, in and for the County of Blaine (the "District Court"), seeking judicial confirmation of the validity of the Series 2007B and Series 2007C Notes, pursuant to the Idaho Judicial Confirmation Law, the same being Title 7, Chapter 13, Idaho Code; and

WHEREAS, on April 5, 2010, pursuant to the petition for judicial confirmation, the District Court, in Case No. CV 2010-121, duly entered its Findings of Fact, Conclusions of Law, Judgment and Decree on the petition, determining, among other matters, that the Agency is authorized to issue the 2007B and 2007C Notes, and that the 2007B and 2007C Notes and the Urban Renewal Plan are valid and enforceable under the Constitution and laws of the State of Idaho; and

WHEREAS, the Agency considers it desirable and necessary for the benefit of the Agency and the general public to refund the outstanding Series 2007A, 2007B, and 2007C Notes in order to achieve a beneficial public objective, and to issue

its revenue allocation (tax increment) bonds in an amount sufficient to accomplish such refunding; and

WHEREAS, the Agency also now desires to issue its Refunding Bonds in an amount sufficient to accomplish the refunding referred to above; and

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE URBAN RENEWAL AGENCY OF THE CITY OF KETCHUM, IDAHO, as follows:

## ARTICLE I

### DEFINITIONS

For all purposes of this Resolution, except as otherwise expressly provided or unless the context otherwise requires, the following terms shall have the following meanings:

Accountant's Certificate shall mean a certificate signed by an independent certified public accountant of recognized standing or a firm of independent public accountants of recognized standing, selected by the Agency who may be the accountant or firm of accountants who regularly audit the books of the Agency.

Act shall mean, collectively, the Idaho Urban Renewal Law of 1965, being Idaho Code Title 50, Chapter 20, as amended, and the Local Economic Development Act, the same being Idaho Code Title 50, Chapter 29, as amended.

Additional Bonds shall mean any bonds which the Agency may hereafter issue pursuant to Section 10.1 of this Resolution having a lien upon the Pledged Revenues for the payment of the principal thereof and interest thereon equal to the lien upon the Pledged Revenues of the Bonds.

Administration Fund shall mean the special fund created by Section 5.4 of this Resolution, from which the Costs of Administration shall be paid.

Agency shall mean the Urban Renewal Agency of the City of Ketchum, Idaho, an urban renewal agency created by and existing under the authority of the Act as an independent public body corporate and politic.

Authorized Officer of the Agency shall mean the Chairman, Vice Chairman, Secretary, Treasurer or any officer or employee of the Agency authorized to perform specific acts or duties pursuant to the Act, the by-laws of the Agency, or a resolution duly adopted by the Agency.

Beneficial Owner(s) shall mean the owners of Bonds whose ownership is recorded under the Book-Entry-Only System maintained by the Depository.

Board shall mean the Board of Commissioners of the Agency, as the same shall be duly and regularly constituted from time to time.

Bond Counsel shall mean a nationally-recognized municipal bond counsel firm retained by the Agency.

Bond Fund shall mean the fund created by Section 5.3(A) of this Resolution.

Bond Purchase Agreement shall mean the agreement for the purchase of the Bonds from the Agency by the Underwriter.

Bond Register shall mean the registration records of the Agency, maintained by the Trustee, on which shall appear the names and addresses of the Registered Owners of the Bonds.

Bond Year shall mean the twelve-month period beginning the dated date of the Bonds and ending on each of the following anniversary dates of the Bonds, provided that the last Bond year shall terminate upon retirement of the Bonds.

Bonds shall mean "The Urban Renewal Agency of the City of Ketchum, Idaho, Revenue Allocation (Tax Increment) Refunding Bonds, Series 2010," herein authorized to be issued, sold, and delivered in an aggregate principal amount not to exceed \$6,750,000 for the purpose of financing the Refunding Project.

Book-Entry-Only System shall mean the system of recordation of ownership of the Bonds on the books of the Depository pursuant to Sections 3.2 and 3.3 of this Resolution.

Business Day shall mean a day, other than a Saturday or Sunday, on which banks located in the State of Idaho and in the state where the Trustee's Principal Corporate Trust Office is located, are open for the purpose of conducting commercial banking business.

Certificated Bond(s) shall mean a Bond or Bonds evidenced by a printed certificate in the event that the Book-Entry-Only System is discontinued.

Chairman or Chairperson shall mean the Chairman or Chairperson of the Board of Commissioners, or any presiding officer or titular head of the Board, or his/her successor in functions.

City shall mean the City of Ketchum, Blaine County, Idaho.

Code shall mean the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder.

Computation Date shall mean an Installment Computation Date or the Final Computation Date.

Consultant's Report shall mean a report signed by an independent financial consultant or an independent redevelopment consultant, as may be appropriate to the subject of the report, and including:

(1) a statement that the person or firm making or giving such report has read the pertinent provisions of the Resolution to which such report relates;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the report is based;

(3) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said independent financial consultant or independent redevelopment consultant to express an informed opinion with respect to the subject matter referred to in the report.

Costs of Administration shall mean, with respect to the Refunding Project, the Agency's expenses (including reserves for such expenses) for allocable administration and general expenses of the Refunding Project, legal, financial, fees and expenses of fiduciaries under this Resolution, bond insurance, guaranty and/or letter of credit fees, if any, interest and finance charges, trustee fees, paying agent and registrar fees, and any other normal expenses or contingencies required to be paid or provided for by the Agency, all to the extent properly attributable to the Refunding Project and payable by the Agency.

Cost(s) of Issuance shall mean printing, rating agency fees, legal fees, underwriting fees, fees and expenses of the Trustee, bond insurance premiums, if any, and all other fees, charges, and expenses with respect to or incurred in connection with the issuance, sale, and delivery of the Bonds.

Debt Service for any period shall mean, as of any date of calculation, an amount equal to the principal and interest, and redemption premiums, if any, accruing during such period on the Bonds and any Additional Bonds. Debt Service on the Bonds shall be calculated on the assumption that no portion of the Bonds Outstanding at the date of calculation will cease to be Outstanding except by reason of

the payment of principal of the Bonds on the due date thereof.

Debt Service Reserve Fund shall mean the fund of that name created by Section 5.2(B) of this Resolution.

Depository shall mean the Depository Trust Company, New York, New York, its successor corporation, or such other depository as may subsequently be designated by the Agency.

Event of Default shall mean one or more of the events enumerated in Section 14.1 of this Resolution.

Feasibility Consultant shall mean an independent accounting, consulting, management, redevelopment, or financial services firm selected by the Agency, which shall have the expertise appropriate to the subject of its feasibility report.

Final Computation Date means the date on which all amounts due with respect to the Bonds are actually and unconditionally due, if cash is available at the place of payment, and no interest accrues with respect to any of the Bonds after such date.

Fiscal Year shall mean the fiscal year of the Agency, which shall be set and, if necessary, changed by the Agency.

Global Bond shall mean a single typewritten bond representing an annual maturity of each series of the Bonds, executed and issued pursuant to the Book-Entry-Only System described in Section 3.3 of this Resolution.

Incremental Tax Revenues shall mean the incremental tax revenues received by the Agency pursuant to the Act, as provided in the Urban Renewal Plan.

Installment Computation Date shall mean that last day of the fifth Bond Year and of each succeeding fifth Bond Year.

Investment Securities shall mean and include any of the securities set forth in Exhibit "I" which is annexed to this Resolution and by reference incorporated herein.

Maximum Annual Debt Service shall mean an amount equal to the greatest annual Debt Service with respect to the Bonds, and any Additional Bonds for the current or any future Bond Year.

Net Proceeds, when used with reference to the Bonds, shall mean the aggregate principal amount of the Bonds, plus accrued interest, if any, and redemption premiums, if any,

less the Reserve Fund Requirement and the Costs of Issuance of the Bonds.

Nonpurpose Payments means, in general, any payment with respect to an investment allocated to the Bonds. The following types of payments are specifically included:

(1) Direct Payments. The amount of gross proceeds of the Bonds directly used to purchase the investment. Direct payments do not include brokerage commissions, administrative expensed or similar expenses.

(2) Constructive Payments. The fair market value (as of the date of allocation to the Bonds) of any investment that was not directly purchased with gross proceeds of the Bonds, but which is allocated to the Bonds.

(3) Payments of Rebatable Arbitrage. Any payment of Rebatable Arbitrage if such payment is made no alter than the due date for such payment.

Nonpurpose Receipts shall mean, in general, any receipt with respect to an investment allocated to the Bonds. The following types of receipts are specifically included:

(1) Actual Receipts. Any amount actually or constructively received with respect to an investment. Actual receipts may not be reduced by selling commissions, administrative expenses or similar expenses.

(2) Disposition Receipts. An amount determined by treating an investment that ceases to be allocated to the Bonds (other than by reason of a sale or retirement) as if sold for fair market value on the date the investment ceases to be allocated to the Bonds.

(3) Installment Date Receipts. The fair market value (or, for fixed rate investments, present value) of all investments allocated to the Bonds at the close of business on any Computation Date.

(4) Imputed Receipts. Any receipts that are required to be imputed and taken into account pursuant to Section 1.148-3 of the Income Tax Regulations or any successor Income Tax Regulations.

Outstanding, when used with reference to the Bonds, as of any particular date, shall mean the Bonds which have been issued, sold and delivered under this Resolution, the principal of and interest on, and redemption premiums, if any, which have not been paid pursuant to this Resolution, and which have not been replaced pursuant to Sections 3.8 or

3.9 of this Resolution or defeased pursuant to Section 9.1 of this Resolution.

Payment Date shall mean any scheduled interest, or principal and interest, (and redemption premiums, if any) payment date with respect to the Bonds, or date fixed for redemption of the Bonds prior to maturity in accordance with Section 3.6 of this Resolution.

Pledged Revenues shall mean the moneys pledged hereunder to the payment of the principal of and interest, and redemption premiums, if any, on the Bonds, consisting of (a) Incremental Tax Revenues received by the Agency pursuant to the Act as provided in the Urban Renewal Plan; (b) moneys in the Bond Fund; and (c) investment earnings on money held in the Bond Fund and Debt Service Reserve Fund. Pledged Revenues shall not include Rebatable Arbitrage.

Principal Corporate Trust Office shall mean, with respect to the Trustee, the office of the Trustee at Salt Lake City, Utah; provided, however, that with respect to payments on the Bonds and any exchange, transfer, or surrender of the Bonds, Principal Corporate Trust Office shall mean the office of the Trustee at U.S. Bank Trust NA, 180 East 5th Street, St. Paul, MN 55101 or such other or additional offices as may be specified by the Trustee.

Private Person shall mean any natural person engaged in a trade or business, the United States of America or any agency thereof, or any trust, estate, partnership, association, company or corporation. A state or local governmental unit is not a private person.

Private Person Use shall mean the use of property in a trade or business by a Private Person if such use is other than as a member of the general public. Private Person Use includes ownership of the property by the Private Person as well as other arrangements that transfer to the Private Person the actual or beneficial use of the property (such as a lease, management or incentive payment contract or other special arrangement) in such a manner as to set the Private Person apart from the general public. Use of property as a member of the general public includes attendance by the Private person at municipal meetings or business rental of property to the Private Person on a day-to-day basis if the rental paid by such Private Person is the same as the rental paid by any Private Person who desires to rent the property. Use of property by nonprofit community groups or community recreational groups is not treated as Private Person Use if such use is incidental to the governmental uses of property, the property is made available for such use by all such community groups on an equal basis and such community groups are charged only a de minimis fee to cover custodial expenses.



Rebatable Arbitrage shall mean the amount calculated pursuant to Section 7.1 hereof, representing excess investment earnings which must be rebated to the United States.

Rebate Fund shall mean the fund created by Section 5.5 of this Resolution.

Refunded Notes shall mean, collectively, the Series 2007A, 2007B, and 2007C Notes.

Refunded Notes Resolutions shall mean, collectively, Resolution No. 07-URA15 of the Agency, adopted on September 4, 2007, pursuant to which the Series 2007A Note was issued; Resolution No. 07-URA22 of the Agency, adopted on November 5, 2007, pursuant to which the Series 2007B Note was issued; and Resolution No. 07-URA21 of the Agency, adopted on November 5, 2007, pursuant to which the Series 2007C Note was issued.

Refunding Account shall mean the special account established by Section 6.1 of the Resolution.

Refunding Project shall mean the current refunding of the Refunded Notes, as described in Section 2.1 of the Resolution, under the procedure set forth in Article VI of the Resolution.

Registered Owner(s) shall mean the person or persons in whose name or names the Bonds shall be registered in the Bond Register maintained by the Trustee in accordance with the terms of this Resolution.

Reserve Fund Requirement shall mean the lesser of: (i) Maximum Annual Debt Service with respect to all Bonds Outstanding secured by the Debt Service Reserve Fund, (ii) 125% of average annual Debt Service on all Bonds secured by the Debt Service Reserve Fund, or (iii) 10% of the aggregate principal amount of the Bonds, and any Additional Bonds secured by the Debt Service Reserve Fund hereafter issued upon original issuance thereof (but not taking into account any series of bonds, or portion thereof, which has been paid in full or provision for which payment in full has been made pursuant to Article IX hereof); provided that the Reserve Fund Requirement shall not exceed the amount permitted to be capitalized from Net Proceeds under then applicable provisions of federal tax law in order to protect the tax-exempt status of interest on the Bonds.

Resolution shall mean this Resolution No. 10-URA2 of the Agency.

Revenue Allocation Area shall mean the "Revenue Allocation Area" as described in the Urban Renewal Plan,

which is subject to the calculation and payment of Incremental Tax Revenues.

Revenue Allocation Fund shall mean the fund designated "Revenue Allocation Fund" created by Section 5.1 of this Resolution.

Series 2007A Note shall mean the Promissory Note, Series 2007, issued by the Agency on October 9, 2007, pursuant to Resolution No. 07-URA15, adopted on September 4, 2007.

Series 2007B Note shall mean the Promissory Note, Series 2007, issued by the Agency on December 17, 2007, pursuant to Resolution No. 07-URA22, adopted on November 5, 2007.

Series 2007C Note shall mean the Promissory Note, Series 2007, issued by the Agency on December 11, 2007, pursuant to Resolution No. 07-URA21, adopted on November 5, 2007.

Treasurer shall mean the Treasurer of the Agency, or his/her successor in functions.

Trustee shall mean the bank trust department or trust company appointed for that purpose pursuant to Article XI of this Resolution, which shall also act as bond registrar, authenticating agent, paying agent and transfer agent with respect to the Bonds, or its successors in functions.

Underwriter shall mean Wedbush Securities, as the original purchaser of the Bonds.

United States shall mean the United States of America.

Urban Renewal Plan shall mean that certain document entitled the "Ketchum Urban Renewal Plan," duly approved by Ordinance No. 992 of the City, adopted on November 15, 2006.

## ARTICLE II

### THE REFUNDING PROJECT

#### Section 2.1 THE REFUNDING PROJECT

The Refunding Project shall consist of paying, currently refunding, and redeeming the currently-Outstanding Refunded Notes, and depositing into the Debt Service Reserve Fund an amount necessary (together with funds available from the reserve funds established for the Refunded Notes) to achieve the Reserve Fund Requirement with respect to the Bonds. The Agency hereby authorizes and directs the appropriate officers and agents of the Agency to carry out the Refunding

Project. The total cost of the Refunding Project is estimated to be \$6,750,000, which amount shall be paid from the proceeds of the Bonds.

### ARTICLE III

#### THE BONDS

##### Section 3.1 AUTHORIZATION

In order to provide financing to pay the Refunding Project, the Agency shall issue its Revenue Allocation (Tax Increment) Refunding Bonds, Series 2010, designated "The Urban Renewal Agency of the City of Ketchum, Idaho, Revenue Allocation (Tax Increment) Refunding Bonds, Series 2010 (the "Bonds"), which are hereby authorized to be issued, sold, and delivered in accordance with this Resolution.

##### Section 3.2 DESCRIPTION OF BONDS

A. The Bonds. The Bonds shall be issued in accordance with the Book-Entry-Only System described in Section 3.3, shall be dated as of their date of delivery, shall be issued in an aggregate principal amount not to exceed \$6,750,000, shall be issued in fully registered form in denominations of \$5,000 each or integral multiples thereof (provided that no Bond shall represent more than one maturity), shall bear interest from their date, or from the most recent date to which interest has been paid or duly provided for, at a net effective rate not to exceed 7.0%, as shall be set forth in the Bond Purchase Agreement, and shall mature over a term not to exceed twenty five (25) years. Interest on the Bonds shall be computed on the basis of a twelve-month, 360-day year.

The Bonds shall be numbered separately in the manner and with any additional description as the Trustee shall deem necessary for purposes of identification. After execution, as hereinafter provided, the Bonds shall be authenticated by the Trustee.

##### Section 3.3 BOOK-ENTRY-ONLY SYSTEM

A. The Bonds shall be issued in book-entry-only form, with no Bonds being made available to the beneficial owners (the "Beneficial Owners") thereof unless the Book-Entry-Only System is discontinued. So long as the Bonds are issued in book-entry-only form, the Agency and the Trustee shall recognize the Depository or its nominee as the Registered Owner of the Bonds for all purposes. Beneficial ownership interests in the Bonds will be available to Beneficial Owners in book-entry-only form, in accordance with the book-entry-only practices of the Depository.

B. The Bonds shall be issued in the form of one Global Bond representing each annual maturity of each series of the Bonds, in conformance with the book-entry-only practices of the Depository. Each Global Bond shall be substantially in the form set forth in Exhibit "A" attached hereto and incorporated herein by reference. Each Global Bond shall be executed by the manual signatures of the Chairman and Treasurer and attested by the manual signature of the Secretary, and shall have the official seal of the Agency impressed thereon. Each Global Bond shall be registered in the name of Cede & Co. as nominee of the Depository and shall be lodged with the Depository or its agent until maturity of the Bonds. The Trustee shall remit each payment of interest, or principal and interest, and redemption premium, if applicable, directly to the Depository for distribution to the Beneficial Owners by recorded entry on the books of the Depository, and the Agency and the Trustee shall have no liability therefor. Such payment shall be valid and effective fully to satisfy and discharge the Agency's obligation to each Beneficial Owner with respect to the payment thereof to the extent of the sums so paid.

C. With respect to Bonds registered in the name of Cede & Co. as nominee for the Depository, neither the Agency nor the Trustee shall have any responsibility to any Beneficial Owner with respect to:

(1) the sending of transaction statement, or maintenance, supervision, or review of records of the Depository;

(2) the accuracy of the records of the Depository or its nominee with respect to any ownership interest in the Bonds;

(3) The payment to any Beneficial Owner, or any other person other than the Depository, of any amount with respect to principal of, interest on, or redemption premium, if any, on the Bonds;

(4) any consent given or other action taken by the Depository or its nominee as owner of the Bonds.

D. In the event that either the Agency or the Depository shall determine to discontinue the Book-Entry-Only System as to the Bonds, and the Agency elects not to designate a substitute depository, then the Agency will cause its Certificated Bonds to be issued to the Beneficial Owners in accordance with this Article III of this Resolution.

E. The Representation Letter in substantially the

form annexed hereto as Exhibit "B" is hereby authorized, and the Treasurer is authorized to execute and deliver the Representation Letter.

Section 3.4      PAYMENT OF DEBT SERVICE

The Bonds shall be payable, principal and interest, and redemption premiums, if any, in accordance with the Book-Entry-Only System described in Section 3.3 of this Resolution. In the event that the Book-Entry-Only System is discontinued with respect to the Bonds and Certificated Bonds are issued, payment of each installment of interest on such Bonds shall be made to the Registered Owner whose name appears on the Bond Register at the close of business on the fifteenth day at the calendar month next preceding the interest payment date, and shall be paid by check or draft of the Trustee mailed on the due date to the Registered Owner at the address as it appears on the Bond Register, or at such other address as may be furnished in writing by such Registered Owner to the Trustee.

Principal of the Bonds shall be payable to the Registered Owners, upon presentation and surrender of the Bonds on or after the date of maturity or prior redemption, at the Principal Corporate Trust Office of the Trustee.

In any case where the date of payment of principal, premium, if any, or interest on the Bonds or the date fixed for redemption of any Bonds, or the date for performing any act or exercising any right, shall be a day other than a Business Day, then payment of interest or principal and premium, if any, or the performance of such act or exercise of such right need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if it had been made on the date scheduled for such payment, performance, or exercise.

Section 3.5      MANNER OF PAYMENT

Both principal of and interest, and redemption premiums, if any, on the Bonds are payable in lawful money of the United States to the Registered Owner thereof, whose name and address shall appear on the Bond Register maintained by the Trustee.

Section 3.6      REDEMPTION PRIOR TO MATURITY

Optional Redemption. The Refunding Bonds shall be subject to redemption prior to their stated dates of maturity as shall be set forth in the Bond Purchase Agreement.

Portions of the principal amount of any Bond, in

installments of \$5,000 or any integral multiple of \$5,000, may also be redeemed. If less than all of the principal amount of any Bond is redeemed, upon surrender of such Bond at the Principal Corporate Trust Office of the Trustee there shall be issued to the Registered owner, without charge therefor, for the then unredeemed balance of the principal amount thereof, a new Bond or Bonds, at the option of the Registered Owner, with like maturity and interest rate in any of the denominations authorized by this Resolution.

B. Notice of Redemption. Notice of any such redemption shall be sent by the Trustee by first class mail, postage prepaid, not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption, to the Registered Owner of each Bond to be redeemed at the address shown on the Bond Register. This requirement shall be deemed to be complied with when notice is mailed as herein provided, regardless of whether or not it is actually received by the Registered Owner of any Bond to be redeemed.

C. Effect of Redemption. When so called for redemption, the Bonds shall cease to accrue interest on the specified redemption date, provided funds for redemption are on deposit at the place of payment at that time, and such Bonds shall not be deemed to be Outstanding as of such redemption date.

D. Voluntary Redemption Notice. In addition to the notice required by subsection B above, further notice may be given by the Trustee as set out below, but no defect in such 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 said subsection B.

(1) Each further notice of redemption given hereunder may contain the following information:

(a) the redemption date;

(b) the redemption price;

(c) if less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed;

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

(e) the place where such Bonds are to be surrendered for payment of the redemption price,

which place of payment shall be the Principal Corporate Trust Office of the Trustee;

(f) the CUSIP numbers of all Bonds being redeemed;

(g) the date of issue of the Bonds as originally issued;

(h) the rate of interest borne by each Bond being redeemed;

(i) the maturity date of each Bond being redeemed; and

(j) any other descriptive information needed to identify accurately the Bonds being redeemed.

(5) Each further notice of redemption may be sent at least thirty (30) days before the redemption date by registered or certified mail or overnight delivery service to:

(a) all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds, such depositories being:

(i) Depository Trust Company, New York, New York; and

(ii) Philadelphia Depository Trust Company, Philadelphia, Pennsylvania; and to

(iii) Midwest Depository Trust Company, Chicago, Illinois.

(b) one or more of the national information services that disseminate notices of redemption of obligations such as the Bonds (such as Moody's Investors Service, Inc., or Standard & Poor's Corporation.)

(6) Upon the payment of the redemption price of the Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

E. Open Market Purchase. The Agency hereby reserves the right to purchase the Bonds on the open market. In the event the Agency shall purchase Bonds at a price (exclusive

of accrued interest) of less than the principal amount thereof, the Bonds so purchased shall be credited at the par amount thereof against the Debt Service requirement next becoming due. All Bonds so purchased shall be canceled.

Section 3.7 EXECUTION OF CERTIFICATED BONDS

If the Book-Entry-Only System is discontinued with respect to the Bonds, the Agency shall, without unreasonable delay, cause Certificated Bonds to be issued, sold and delivered, which Certificated Bonds shall be substantially in the form of Exhibit "C" which is annexed hereto and shall be typed, lithographed or printed with steel engraved or lithographed borders. The Certificated Bonds shall be executed on behalf of the Agency by the Chairman and Treasurer and shall be attested by the Secretary (all of which may be by facsimile or manual signature), and shall have the seal of the Agency impressed or imprinted thereon.

The Certificated Bonds shall then be authenticated. Only the Certificated Bonds bearing thereon a Certificate of Authentication substantially in the form set forth in Exhibit "D," manually executed by the Trustee, shall be valid for any purpose or entitled to the benefits of this Resolution, and such Certificate of Authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Resolution.

In case any of the officers who shall have signed or attested any of the Bonds shall cease to be such officer or officers of the Agency before the Bonds so signed or attested shall have been authenticated or delivered by the Trustee, or issued by the Agency, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Agency as though those who signed and attested the same had continued to be such officers of the Agency. Any Bond may also be signed and attested on behalf of the Agency by such persons as at the actual date of execution of such Bond shall be the proper officers of the Agency although at the original date of such Bond any such person shall not have been such officer of the Agency.

Section 3.8 TRANSFER OR EXCHANGE OF BONDS

Any Bond shall be transferable by the Registered Owner thereof in person, or by his attorney duly authorized in writing, upon presentation and surrender of such Bond at the principal corporate trust office of the Trustee for cancellation and issuance of a new Bond registered in the



name of the transferee, in exchange therefor. Provided, however, that the Trustee shall not be required to transfer the Bonds within fifteen calendar days of the maturity date of any duly-noticed optional redemption date.

Any Bond shall be exchangeable for Bonds of any authorized denomination or denominations, upon surrender and cancellation of said Bond at the Principal Corporate Trust Office of the Trustee.

Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the Trustee shall authenticate and deliver to the transferee or exchange, in exchange therefor, a new fully registered Bond or Bonds of any authorized denomination or denominations, of the same maturity and interest rate, and for the aggregate principal amount of such Bond or bonds being surrendered.

The Trustee shall require the payment by the Registered Owner requesting such transfer or exchange of any tax, fee or governmental charge required to be paid with respect to such transfer or exchange. The Trustee and the Agency may also require the transferor and/or transferee of the Bond to execute any documents in connection with such transfer as may be reasonably required by the Agency and the Trustee.

Section 3.9 LOST, STOLEN, MUTILATED OR DESTROYED BONDS

In case any Bond shall be lost, stolen, mutilated or destroyed, the Trustee may authenticate and deliver a new Bond or Bonds of like date, denomination, interest rate, maturity, number, tenor and effect to the Registered Owner, thereof upon the Registered Owner's paying the expensed and changes of the Agency and the Trustee in connection there with and upon his filing with the Agency and the Trustee evidence satisfactory to the Agency of his ownership thereof, and upon furnishing the Agency and the Trustee with indemnity satisfactory to the Agency and the Trustee. In the event any such Bond shall have matured, instead of issuing a replacement Bond as provided above, the Trustee may pay the same upon receipt by the Agency and Trustee of indemnity satisfactory to the Agency and Trustee.

Section 3.10 REGISTRATION

The Agency hereby adopts a system of registration with respect to the Bonds as required by Title 57, Chapter 9, Idaho Code, as amended, pursuant to this Article III.

The Trustee is hereby appointed as registrar, authenticating agent, paying agent, and transfer agent with respect to the Bonds, subject to the following terms and conditions:

A. The Trustee shall keep, or cause to be kept, at its Principal Corporate Trust Office, sufficient books for the registration and transfer of the Bonds, which books are hereby defined as the "Bond Register," in which shall be maintained the names and addresses of the Registered Owners of the Bonds. Said Bond Register shall at all reasonable times be open to inspection by the Agency.

B. Subject to the terms of any agreement with the Trustee, the Agency shall pay to the Trustee reasonable compensation for all services rendered under this Resolution, together with reasonable expenses, charges, fees of counsel, accountants and consultants and other disbursements, including those of its attorneys, agents and employees, incurred in good faith in and about the performance of their powers and duties under this Resolution, which expenses shall be deemed administrative expenses of the Refunding Project.

C. The Trustee may become the owner of the Bonds with the same rights it would have if it were not the Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of or in any other capacity with respect to, any committee formed to protect the rights of the Registered Owners.

#### ARTICLE IV

##### PLEDGE FOR PAYMENT OF THE BONDS

###### Section 4.1 PLEDGE FOR PAYMENT OF BONDS

The Agency hereby pledges for the payment of the Bonds, and any Additional Bonds issued in accordance with this Resolution, equally and ratably, the Pledged Revenues and all money in the Bond Fund and Debt Service Reserve Fund. The Pledged Revenues and other money in the Revenue Allocation Fund, the Bond Fund, and the Debt Service Reserve Fund, if any, shall not, except as provided in this Resolution, be used for any other purpose while any of the Bonds remain Outstanding. This pledge shall constitute a first and exclusive lien on the Pledged Revenues and such other moneys in the Revenue Allocation Fund, the Bond Fund, and the Debt Service Reserve Fund, if any, for the payment of the Bonds in accordance with the terms hereof.

The Agency covenants and agrees that all Incremental Tax Revenues, when and as received, will be received by the Agency in trust hereunder and will be immediately deposited by the Agency in the Revenue Allocation Fund and will be

accounted for through and held in trust in the Revenue Allocation Fund, and the Agency shall have no beneficial right or interest in any of such money, except only as in this Resolution provided. All such Pledged Revenues shall nevertheless be disbursed, allocated and applied solely to the uses and purposed herein or therein set forth, and shall be accounted for separately and a part from all other money, funds, accounts, or other resources of the Agency.

## ARTICLE V

### FUNDS AND ACCOUNTS

#### Section 5.1 REVENUE ALLOCATION FUND

There is hereby created a fund, to be held by the Agency, separate and apart from all other funds of the Agency, designated the Revenue Allocation Fund (the "Revenue Allocation Fund"). All Incremental Tax Revenues shall be promptly deposited upon receipt by the Agency into the Revenue Allocation Fund. The Incremental Tax Revenues deposited therein shall be used only for the following purposes and in the following order of priority:

First, to pay the interest and redemption premiums, if any, accruing on the Bonds and any Additional Bonds by required deposits into the Bond Fund;

Second, to pay the principal of the Bonds and any Additional Bonds payable within the next Bond Year by required deposits into the Bond Fund;

Third, to fund the Debt Service Reserve Fund by required deposits thereto, if any;

Fourth, to fund the Administration Fund;

Fifth, for any other lawful purpose of the Agency.

#### Section 5.2 BOND FUND AND DEBT SERVICE RESERVE FUND

A. Bond Fund Created. There is hereby created a fund, to be held by the Trustee, separate and apart from all other funds of the Trustee, designated the "Bond Fund." Not less than two (2) Business Days prior to the due date of any installment of principal and/or interest on the Bonds, the Agency shall transfer, or authorize the transfer, of such amount due on the Bonds from the Revenue Allocation Fund to the Bond Fund on the dates provided in Section 3.2 of this Resolution. Interest earnings for amounts in the Bond Fund shall be paid into the Bond Fund.

B. Debt Service Reserve Fund. There is hereby

created a fund, to be held by the Trustee, separate and apart from all other funds of the Trustee, designated the "Debt Service Reserve Fund." Simultaneously with the issuance of the Bonds authorized herein, the Agency shall deposit, from the reserve funds established for the Refunded Notes and, to the extent necessary, from the Net Proceeds, an amount equal to the Reserve Fund Requirement, into the Debt Service Reserve Fund. So long as the balance in the Debt Service Reserve Fund equals the Reserve Fund Requirement, interest earnings shall be paid into the Bond Fund.

If on any Debt Service payment date (or on the date of Maturity or prepayment, in the case of principal) the amount in the Bond Fund is less than the amount required to pay such Debt Service, the Trustee shall cause to be deposited from the Debt Service Reserve Fund into the Bond Fund amounts necessary to make said payments.

Any deficiency in the Debt Service Reserve Fund created by a withdrawal as authorized by the preceding paragraph shall be replaced as soon as practicable by deposits of legally available moneys from the Revenue Allocation Fund until the Debt Service Reserve Fund is restored to the Reserve Fund Requirement.

Whenever the amount in the Debt Service Reserve Fund, determined in accordance with Section 8.1 of this Resolution, together with the amounts in the Bond Fund, is sufficient to pay in full the amount of Bonds Outstanding, including interest thereon, in accordance with the terms of the Bonds, the funds on deposit in the Debt Service Reserve Fund shall be transferred to the Bond Fund. Any provision of this Resolution to the contrary notwithstanding, so long as there shall be held in the Bond Fund and Debt Service Reserve Fund an amount sufficient to pay in full the total principal amount Outstanding and interest accrued thereon, in accordance with the terms of the Bonds, no deposits shall be required to be made into the Debt Service Reserve Fund.

C. Priority of Lien of Payments into the Bond Fund. The amounts so pledged to be paid into the Bond Fund and the Debt Service Reserve Fund from the Pledged Revenues are hereby declared to be a prior lien and charge upon the Pledged Revenues superior to all other charges of any kind or nature whatsoever.

D. Application and Investment of Moneys in the Debt Service Reserve Fund. Moneys in the Debt Service Reserve Fund shall be invested in Investment Securities. All interest earned an income derived by virtue of such investments shall be deposited into the Bond Fund.

Section 5.3 ADMINISTRATION FUND

There is hereby created a fund, to be held by the Agency, separate and apart from all other funds of the Agency, designated the "Administration Fund," into which shall be deposited from Incremental Tax Revenues each year, after provision has been made for payment of principal of and interest (and redemption premium, if any) on the Bonds, as required by Section 5.1 of this Resolution, an amount, as determined by the Board, sufficient to pay, together with any other moneys lawfully available to the Agency, the Costs of Administration of the Agency for the Fiscal Year. The Agency's Costs of Administration shall be paid from the Administration Fund.

Section 5.4 REBATE FUND

There is hereby created a fund, known as the "Rebate Fund," separate and apart from other funds and accounts of the Agency, to be held and administered by the Agency. The Agency shall make deposits into the Rebate Fund, from any lawfully available funds of the Agency, and shall make withdrawals and payments of Rebateable Arbitrage therefrom, at the times and in the manner provided in Section 7.1 of this Resolution.

Section 5.5 TRUSTEE'S DUTIES WITH RESPECT TO FUNDS AND ACCOUNTS

Moneys in all funds and accounts shall be continuously invested and reinvested by the Trustee, at the written direction of the Agency. The Trustee shall have no liability or responsibility for any loss or for failure to maximize earnings resulting from any investment made in accordance with the provisions of this Section. The Trustee shall be entitled to assume, absent receipt by the Trustee of written notice to the contrary, that any investment that at the time of purchase is a permitted Investment Security remains a permitted Investment Security thereafter.

All investments and earnings thereon shall constitute a part of the fund or account from which the moneys used to acquire such investments have come. Subject to the restrictions hereinafter set forth in this Resolution, all capital gains, profits and interest earnings resulting from the investment of moneys in all funds, including any accounts thereof, shall be deposited into, and any loss of principal value resulting from the investment of moneys in any fund or account and any expenses incurred in making or disposing of investments shall be charged, when incurred, to the fund or account from which such investments were made. The Trustee shall sell and reduce to cash a sufficient amount of investments in a fund or account whenever the cash balance therein is insufficient to pay the amounts required to be paid therefrom. The Trustee may transfer investments

from any fund or account to any other fund or account in lieu of cash when a transfer is required or permitted by the provisions of this Resolution.

The Trustee may make any and all investments permitted by the provisions of this Section through its own investment department or that of its affiliates. As and when any amount invested pursuant to this Article may be needed for disbursement, the Trustee may cause a sufficient amount of such investments to be sold and reduced to cash to the credit of such funds.

The Agency acknowledges that to the extent that regulations of the U.S. Comptroller of the Currency or other applicable regulatory agency grant the Agency the right to receive brokerage confirmations of security transactions, the Agency waives receipt of such confirmations. The Trustee shall furnish to the Agency periodic statements that include detail of all investment transactions made by the Trustee.

## ARTICLE VI

### THE REFUNDING PROCEDURE

#### Section 6.1: THE REFUNDING PROCEDURE

The Agency desires to pay, redeem, currently refund, and retire the Refunded Notes. The Refunded Notes Resolutions reserve the right for the Agency, in the manner provided therein, to redeem and call the Refunded Notes prior to their stated maturity on any date. The Series 2007A Note may be redeemed on an interest payment date at a redemption price of 100% of the principal amount Outstanding, plus accrued interest to the date of redemption. The owner of the 2007A Note has provided written consent to allow early redemption. The Series 2007B and 2007C Notes may be redeemed at a redemption price of 100% of the principal amount Outstanding, plus accrued interest to the date of redemption.

There is hereby created and established a special fund and account of the Agency, designated the "Refunding Account," which shall be maintained by the Trustee, into which the proceeds of the Bonds, together with other lawfully available funds of the Agency in an amount (if any) required to fully redeem and pay the principal of and accrued interest to the date of redemption on the Refunded Notes, shall be deposited. Moneys in the Refunding Account shall be used solely for the foregoing purposes.

Contingent solely upon the issuance, sale, and delivery of the Bonds, the Refunded Notes are hereby irrevocably called for redemption upon sale of the Bonds. The Agency

hereby irrevocably pledges so much of the net proceeds of the Bonds, together with any earnings thereon and any other legally available funds of the Agency, as shall be necessary to pay the principal of and accrued interest on the Refunded Notes to the date of redemption specified above. Notice of Redemption of the Refunded Notes, substantially in the form annexed hereto as Exhibit "E," shall be given by the Trustee in accordance with the Refunded Notes Resolutions.

Any moneys remaining in the Refunding Account after payment of the Refunded Notes shall be deposited into the Bond Fund.

## ARTICLE VII

### ARBITRAGE REBATE

#### Section 7.1 ARBITRAGE REBATE

A. General Rule. The Agency will pay to the United States of America, from the Rebate Fund, in accordance with the provisions of this section, (i) at least 90 percent of the Rebatable Arbitrage with respect to the Bonds as of each Installment Computation Date and 100 percent of the Rebatable Arbitrage with respect to the Bonds as of the Final Computation Date. The Trustee shall notify the Agency, at least ninety (90) days in advance, of each Computation Date. The Trustee may rely conclusively upon and shall be fully protected from all liability in relying upon the Agency's determinations, calculations, certifications and written directions required by this Section, and the Trustee shall have no responsibility to monitor and independently make any calculations or determination or to review the Agency's determinations, calculations, certifications. The Trustee's sole obligation under this Article VII will be to provide the notice.

B. Computation of Rebatable Arbitrage. The Rebatable Arbitrage with respect to the Bonds shall be computed in accordance with Section 148(f) of the Code and Section 1.148-3 of the Income Tax Regulations under Section 148(f) of the Code, as of each Computation Date.

#### C. Payment Procedure.

(1) The payment of Rebatable Arbitrage due as of each Installment Computation Date will be paid no later than the date that is 60 days after the Installment Computation Date.

(2) Each payment of Rebatable Arbitrage will be made to the Internal Revenue Service Center, Philadelphia, Pennsylvania 19225 and will be accompanied by IRS Form 8038-T.

D. Other Methodology. Notwithstanding this Section 7.1, payments of Rebatable Arbitrage will be made in accordance with instructions provided by nationally-recognized bond counsel retained by the Agency if necessary to maintain the federal income tax exemption for interest payments made on the Bonds.

## ARTICLE VIII

### VALUATION AND SALE OF INVESTMENTS

#### Section 8.1 VALUATION AND SALE OF INVESTMENTS

Obligations purchased as an investment of money in any fund or account created under the provisions of this Resolution shall be deemed at all times to be a part of such fund or account and any profit realized from the liquidation of such investment shall be credited to, and any loss resulting from the liquidation of such investment shall be charged to the computation of net interest earned on the money and investments in such fund or account.

In computing the amount in any fund or account created under the provisions of this Resolution for any purposes provided in this Resolution, obligations purchased as an investment of money therein shall be valued at cost or market value, whichever is lower. Such computations shall be determined as of September 30 of each year.

Except as otherwise provided in this Resolution, the Trustee shall sell at the market value or present for redemption or transfer as provided in the next sentence any obligation so purchased as an investment whenever either shall be requested in writing by an Authorized Officer of the Agency so to do or whenever it shall be necessary in order to provide money to meet any payment or transfer from any fund or account mentioned in the preceding sentence, transfer such investment obligations, or interest pertaining thereto if such investment obligations shall mature or be collectable at or prior to the time the proceeds thereof shall be needed and such transfer of investment obligations may be made in book entry form. The Trustee shall not be liable or responsible for making any such investment in the manner provided above or for any loss resulting from such investment.

## ARTICLE IX

### DEFEASANCE OF THE BONDS

#### Section 9.1 PROVISIONS FOR DEFEASANCE OF THE BONDS

In the event that money and/or direct obligations of, or obligations guaranteed by, the United States, as provided



by Section 57-504 of the Idaho Code, as it now reads or is hereafter amended, maturing or having guaranteed redemption prices at the option of the Agency at such time or times and bearing interest to be earned thereon in such amounts as are sufficient (together with any resulting cash balances), and verified as such by a certified public accountant, to redeem and retire part or all of the Bonds in accordance with their terms, are hereafter irrevocably set aside in a special account held by an independent trustee and pledged to effect such redemption and retirement, then no further payment need be made into the Bond Fund for the payment of the principal of and interest on that portion of the Bonds and interest accrued thereon shall then cease to be entitled to any lien, benefit or security of this Resolution, except the right to receive the funds so set aside and pledged, and such Bonds and interest accrued thereon shall no longer be deemed to be Outstanding hereunder.

## ARTICLE X

### ADDITIONAL BONDS

#### Section 10.1 ADDITIONAL BONDS

For so long as any of the Bonds remain Outstanding, the Agency will not issue any obligations having a greater or equal priority of lien upon the Pledged Revenues to pay and secure the payment of the principal of and interest and redemption premiums, if any, on such obligations than the priority of lien created on such Pledged Revenues to pay and secure the payment of the principal of and interest on the Bonds except as follows:

A. The Agency reserves the right to issue Additional Bonds for the purposes of:

First, providing money to pay for any project as authorized under the Urban Renewal Plan, or

Second, refunding, as permitted by law, at or prior to their maturity, any bonds or other obligations payable out of Pledged Revenues.

Third, to pledge that payments will be made out of the Pledged Revenues and into the Bond Fund and the Debt Service Reserve Fund to pay and secure the payment of the principal of and interest, and redemption premiums, if any, on such Additional Bonds on a parity with the payments required herein to be made out of such Pledged Revenues into the Bond Fund to pay and secure the payment of the principal of and interest, and redemption premiums, if any, on the Bonds and any Additional Bonds then Outstanding, upon compliance with the following conditions:

(1) At the time of issuance of any Additional Bonds there is not a deficiency in the Bond Fund or in the Debt Service Reserve Fund.

(2) The principal of and interest, and redemption premiums, if any, on any Additional Bonds shall be payable out of the Bond Fund, and the requirements for the Debt Service Reserve Fund payments in Section 5.2(B)(2) hereof shall be met.

(3) Prior to the delivery of any Additional Bonds, (i) the Agency shall have on file a Consultant's Report, dated not earlier than 90 days prior to the date of delivery of such Additional Bonds, showing that the Pledged Revenues for the Fiscal Year immediately prior to issuance of such Additional Bonds was not less than at least 1.25 times the amount required in any year for the payment of the principal of and interest, and redemption premiums, if any, on the Bonds and all Additional Bonds Outstanding, including the Additional Bonds proposed to be issued. Said Certificate shall state that there has been no material event (such as a material decrease in the property values or tax levies) since the publication of the financial statements from which such conclusions were derived that would significantly reduce the Pledged Revenues available. No such certificate shall be required for Additional Bonds issued for the purpose of refunding a portion of the Bonds or any Additional Bonds if the combined Debt Service of the Bonds then Outstanding and any Additional Bonds does not exceed by more than \$10,000 annually the Debt Service on the Bonds then Outstanding and Additional Bonds issued prior to the refunding; or (ii) the Agency has on file a Feasibility Consultant's Certificate stating, as of the time immediately after the issuance of such Additional Bonds, that for each of the two Fiscal Years immediately following the Fiscal Year during which it is estimated that the project to be financed by the Additional Bonds will be completed, the Pledged Revenues available for Debt Service is projected or forecasted to be an amount not less than 135% of the anticipated Maximum Annual Debt Service during such two Fiscal Year period.

The certificate of such consultant shall be conclusive and the only evidence required to show compliance with the provisions and requirements of this subsection A.

(4) The resolution authorizing such

Additional Bonds shall contain the provisions for payment, security and deposits as set forth herein.

B. Nothing herein contained shall prevent the Agency from issuing obligations which are a charge upon the Pledged Revenues junior or inferior to the payments required by this Resolution.

## ARTICLE XI

### THE TRUSTEE

#### Section 11.1 THE TRUSTEE

A. Trustee: Acceptance of Duties. The Corporate Trust Department of U.S. Bank National Association, Salt Lake City, Utah, is hereby appointed as Trustee, and shall also act as bond registrar, authenticating agent, paying agent, and transfer agent with respect to the Bonds, subject to the following terms and conditions:

(1) The Trustee shall keep, or cause to be kept at its Principal Corporate Trust Office, sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection by the Agency.

(2) Subject to the terms of any agreement with the Trustee, the Agency shall pay to the Trustee from time to time reasonable compensation for all services rendered under this Resolution, together with reasonable expenses, charges, fees of counsel, accountants and consultants and other disbursements, including those of its attorneys, agents and employees, incurred in good faith in and about the performance of their powers and duties under this Resolution.

(3) The Trustee shall be responsible for its representations contained in the Certificate of Authentication on the Bonds.

(4) The Trustee may become the Registered Owner of Bonds with the same rights it would have if it were not a Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Registered Owners.

The Trustee shall signify its acceptance of the duties and obligations imposed upon it by this Resolution by executing and delivering to the Agency a written acceptance thereof, and upon executing such acceptance the Trustee shall be deemed to have accepted the duties and obligations with respect to all of the Bonds thereafter to be issued,

but only, however, upon the terms and conditions set forth in this Resolution.

#### Section 11.2 RESPONSIBILITIES OF TRUSTEE

The recitals of fact herein and in the Bonds contained shall be taken as the statements of the Agency, and no Trustee assumes any responsibility for the correctness of the same. The Trustee makes no representations as to the validity of sufficiency of this Resolution or of any Bonds issued thereunder or as to the security afforded by this Resolution, and the Trustee shall not incur any liability in respect thereof. The Trustee shall not be under any responsibility or duty with respect to the application of any moneys paid by such Trustee in accordance with the provisions of this Resolution to the Agency or to any other Trustee. The Trustee shall not 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 thereof, or to advance any of its own moneys, unless properly indemnified. The Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence, misconduct or default. The Trustee shall have no responsibility with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the Bonds.

#### Section 11.3 EVIDENCE ON WHICH TRUSTEES MAY ACT

A. The Trustee, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document furnished to it pursuant to any provisions of this Resolution, shall examine such instrument to determine whether it conforms to the requirements of this Resolution and shall be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may or may not be counsel to the Agency, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under this Resolution in good faith and in accordance therewith.

B. Whenever the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this Resolution, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively provided and established by a certificate of an Authorized Officer of the Agency, and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Resolution upon the faith thereof; but in its discretion the Trustee may in lieu thereof accept

other evidence of such fact of matter or may require such further or additional evidence as to it may seem reasonable.

C. Except as otherwise expressly provided in this Resolution, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision thereof by the Agency to the Trustee shall be sufficiently executed in the name of the Agency by an Authorized Officer of the Agency.

#### Section 11.4 COMPENSATION OF TRUSTEE

The Agency shall pay to the Trustee reasonable compensation for all services rendered under this Resolution and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents, and employees, incurred in and about the performance of its powers and duties under this Resolution.

#### Section 11.5 RESIGNATION AND REMOVAL OF TRUSTEE

A. Resignation of Trustee. The Trustee, after a successor Trustee has been duly appointed and has accepted the duties of Trustee in writing, may at any time resign and be discharged of the duties and obligations created by this Resolution by giving not less than 60 days' written notice to the Agency, specifying the date when such resignation shall take effect, and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed by the Agency or the Registered Owners as provided in Section 11.6, in which event such resignation shall take effect immediately on the appointment of such successor.

B. Removal of Trustee. The Trustee may be removed at any time by the Agency upon given thirty (30) days notice by an instrument in writing filed with the Trustee.

#### Section 11.6 SUCCESSOR TRUSTEE

##### A. Appointment of Successor Trustee.

(1) In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property shall be appointed, or if any public officer shall take charge or control of the trust or of its property or affairs, a successor shall be appointed by the Agency.

(2) If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within 45 days

after the Trustee shall have given to the Agency written notice as provided in Subsection 11.5 of this Resolution or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

(3) Any Trustee appointed under the provisions of this subsection (A) in succession to the Trustee shall be a bank or trust company or national banking association or subsidiary thereof authorized to do business in the State of Idaho and having capital stock and surplus aggregating at least \$20,000,000, if there be such bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Resolution.

B. Transfer of Rights and Property to Successor Trustee. Any successor Trustee appointed under this Resolution shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Agency, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, shall become fully vested with all rights, powers, duties, and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee, ceasing to act shall, nevertheless, on the written request of the Agency, or of the successor Trustee, execute, acknowledge and deliver such instrument of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under this Resolution and shall pay over, assign, and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance, or instrument in writing from the Agency be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, power and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Agency.

C. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided

such company shall be a bank or trust company organized under the laws of any state of the United States or a national banking association and shall be authorized by law to perform all the duties imposed upon it by this Resolution, shall be the successor to the Trustee without the execution or filing of any paper or the performance of any further act.

D. Successor Trustee; Qualifications. Notwithstanding anything else in this section to the contrary, any successor Trustee appointed pursuant to the provisions of this section shall (i) be a trust company or bank in good standing, or a subsidiary thereof, duly authorized to exercise trust powers and subject to examination by federal or state authority, (ii) have a reported capital and surplus of not less than \$20,000,000, and (iii) have substantial prior experience as a trustee for the benefit of registered owners of municipal bonds.

## ARTICLE XII

### COVENANTS OF THE AGENCY

#### Section 12.1 COVENANTS OF THE AGENCY

The Agency covenants and agrees with the Registered Owners of the Bonds as follows:

A. Punctual Payment. The Agency will punctually pay the interest on and principal of and redemption premiums, if any, to become due with respect to the Bonds, in strict conformity with the terms of the Bonds and of this Resolution, and will faithfully satisfy, observe, and perform all conditions, covenants, and requirements of the Bonds and of this Resolution.

B. Against Encumbrances. Except as provided in this Resolution, the Agency will not mortgage or otherwise encumber, pledge, or place any charge upon any of the Pledged Revenues or moneys in the Bond Fund, and will not issue any obligation or security superior to or on a parity with the Bonds payable in whole or in part from the Pledged Revenues.

C. Extension or Funding of Claims for Interest. In order to prevent any claims for interest after maturity, the Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for any interest on the Bonds.

D. Management and Operation of Properties. The Agency will manage and operate all properties owned by the Agency in a sound and business-like manner and in conformity with all valid requirements of any governmental authority relative to the properties, and will keep such properties

insured at all times in conformity with sound business practice.

E. Payment of Claims. The Agency will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid might become a lien or charge upon the properties owned by the Agency or upon the Pledged Revenues or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Bonds; provided that nothing herein contained shall require the Agency to make any such payments so long as the Agency in good faith shall contest the validity of any such claims.

F. Books and Accounts; Financial Statement. The Agency will keep proper books of record and accounts, in which complete and correct entries shall be made of all transactions relating to the funds created hereunder. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Trustee or of the Registered Owners of not less than twenty-five percent (25%) of the aggregate amount of the Bonds then outstanding or their representatives authorized in writing.

G. Protection of Security and Rights of Registered Owners. The Agency will preserve and protect the security of the Bonds and the rights of the Registered Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any Bonds by the Agency, such Bonds shall be incontestable by the Agency.

H. Payment of Taxes and Other Charges. Subject to the provisions of Section 12.1(J) hereof, the Agency will pay and discharge all taxed, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Agency or any other properties owned by the Agency in the Urban Renewal Plan, or upon the revenues therefrom, when the same shall become due; provided that nothing herein contained shall require the Agency to make any such payments so long as the Agency in good faith shall contest the validity of any such taxes, service charges, assessments or other governmental charges. (The Agency is not currently subject to the payment of taxes.)

I. Taxation of Leased Property. Whenever any property in the Revenue Allocation Area is redeveloped by the Agency and thereafter is leased by the Agency to any person or persons, or whenever the Agency leases any real property in the Revenue Allocation Area to any person or persons for redevelopment, the property shall be assessed and taxed in the same manner as privately-owned property (in accordance with the Law), and the lease or contract shall provide (1) that the lessee shall pay taxes upon the assessed value of the entire property and not merely upon the assessed value of the leasehold interest, and (2) that if for any reason



the taxes paid by the lessee on such property in any year during the term of the lease shall be less than the taxes that would have been payable upon the entire property if the property were assessed and taxed in the same manner as privately-owned property, the lessee shall pay such difference to the Agency within thirty (30) days after the taxes for such year become payable, and in any event prior to the delinquency date of such taxes established by law, which such payments shall be treated as Pledged Revenues and shall be deposited by the Agency in the Revenue Allocation Fund.

J. Disposition of Property in Revenue Allocation Area. The Agency will not, except as otherwise provided in this Section 12.1(J), authorize the disposition of any real property in the Revenue Allocation Area to anyone which will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except for public ownership or use contemplated by the Urban Renewal Plan in effect on the date of adoption of this Resolution, or property to be used for public streets or easements or rights of way for public utilities, pedestrian/bicycle pathways, or other similar uses). If such dispositions, together with all similar prior dispositions on or subsequent to the effective date of this Resolution, shall comprise more than ten percent (10%) of the land area in the Revenue Allocation Area, it shall cause to be filed with the Trustee a Consultant's Report on the effect of such proposed disposition. If the Consultant's Report concludes that the Pledged Revenues will not be materially reduced by such proposed disposition, the Agency may proceed with such proposed disposition. If the Consultant's Report concludes that Pledged Revenues will be materially reduced by such proposed disposition, the Agency shall, as a condition precedent to proceeding with such proposed disposition, require that such new owner or owners either:

(1) Pay to the Agency, so long as any of the Bonds are Outstanding, an amount equal to the amount that would have been received by the Agency as Pledged Revenues if such property were assessed and taxed in the same manner as privately-owned non-exempt property, which payment shall be made within thirty (30) days after taxes for each year would become payable to the taxing agencies for non-exempt property and in any event prior to the delinquency date of such taxes established by law; or

(2) Pay to the Agency a single sum equal to the amount estimated by an independent redevelopment consultant to be receivable from taxes on such property from the date of such payment to the last maturity date of all Bonds then Outstanding, less a reasonable discount value.

All such payments to the Agency in lieu of taxes shall be treated as Pledged Revenues and shall be deposited by the Agency in the Revenue Allocation Fund.

K. Amendment of Urban Renewal Plan. The Agency will not amend the Urban Renewal Plan except as provided in this Section 12.1(K). If the Agency proposes to amend the Urban Renewal Plan, it shall cause to be filed with the Trustee a Consultant's Report on the effect of such proposed amendment. If the Consultant's Report concludes that Pledged Revenues will not be materially reduced and the Agency's obligations will not be materially adversely affected by such proposed amendment, the Agency may undertake such amendment. If the Consultant's Report concludes that the Pledged Revenues will be materially reduced, or the Agency's obligations will be materially adversely affected, by such proposed amendment, the Agency may not undertake such proposed amendment. A Consultant's Report shall not be required if the amendment consists of increasing the amount of property in the revenue allocation area.

L. Further Assurances. The Agency will adopt, make, execute, and deliver any and all such further resolutions, instruments, and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Resolution and for the better assuring and confirming unto the Registered Owners of the Bonds of the rights and benefits provided in this Resolution.

M. Accounts and Reports.

(1) The Agency shall keep proper books of records and account in which complete and correct entries shall be made of its transactions and each fund and account established under this Resolution, and which, together with all books and papers of the Agency, including insurance policies, shall at all times be subject to the inspection of the Trustee or its representative duly authorized in writing.

(2) The Trustee shall advise the Agency in writing promptly as requested by the Agency, but in no event less often than annually, of its transactions during such period relating to each fund and account held by it under this Resolution.

(3) The Agency 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 an audited annual report for each year, accompanied by an Accountant's Certificate, including the following statements in reasonable detail: a balance sheet showing assets and liabilities as of the end of such year, expenses and changes in retained earnings for

such year; and a summary with respect to each fund and account established under this Resolution of the receipts therein and disbursements therefrom during such year and the amount held therein at the end of such year. The Trustee shall have no duty or obligation to review or verify the Agency's financial statements received under the provisions of this Section. The accountant or accountants firm completing the Accountant's Certificate shall provide a written statement as to whether or not, to the knowledge of the signer, the Agency is in default with respect to any of the covenants, agreements, or conditions on its part contained in this Resolution, and if so, the nature of such default. The Agency shall promptly notify the Trustee of any Event of Default.

(4) The reports, statements, and other documents required to be furnished to the Trustee, if any, pursuant to any provisions of this Resolution shall be available for the inspection of any Registered Owner or Beneficial Owner who shall file a written request therefor with the Agency.

(5) The Agency shall comply with the applicable secondary market disclosure requirements promulgated under Rule 15c2-12 of the Securities Exchange Commission.

N. General.

(1) The Agency shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Agency under the provisions of the Act and this Resolution.

(2) Upon the date of authentication and delivery of the Bonds, all conditions, acts, and things required by law and this Resolution to exist, to have happened, and to have been performed precedent to and in the issuance of such bonds shall exist, have happened, and have been performed, and the issue of such Bonds, together with all other indebtedness of the Agency, shall comply in all respects with the applicable laws of the State of Idaho.

(3) The Bonds are issued to refund promissory notes incurred in connection with an urban renewal project, as defined in the Act. Accordingly, in any suit, action, or proceedings involving the validity or enforceability of the Bonds, the Bonds shall be conclusively deemed to have been issued for such purpose.

O. Arbitrage; Special Tax Covenants. The Agency shall

comply with the provisions of this Section unless, in the written opinion of nationally-recognized bond counsel to the Agency, such compliance is not required in order to maintain the exemption of the interest on the Bonds from federal income taxation.

The Agency hereby covenants that it will not make any use of the proceeds of sale of the Bonds or any other funds of the Agency which may be deemed to be proceeds of such Bonds pursuant to Section 148 of the Code which will cause the Bonds to be "arbitrage bonds" within the meaning of said Section. The Agency will comply with the requirements of Section 148 of the Code (or any successor provision thereof applicable to the Bonds) throughout the term of the Bonds.

The Agency hereby further covenants that it will comply with the registration requirements of Section 149(a) of the Code so long as any portion of the Bonds is Outstanding.

The Agency hereby further covenants that it will not take any action or permit any action to be taken that would cause the Bonds to constitute "private activity bonds" under Section 141 of the Code.

P. Private Person Use Limitation. The Agency shall comply with the provisions of this Section unless, in the written opinion of nationally bond counsel to the Agency, such compliance is not required in order to maintain the exemption of the interest on the Bonds from federal income taxation.

The Agency covenants that so long as any portion of the Bonds are Outstanding, it will not permit:

(1) More than 10% of the principal or interest payments on the Bonds in a Bond Year to be (under the terms of this Resolution or any underlying arrangement) directly or indirectly: (i) secured by any interest in property used or to be used for any Private Person Use, or (ii) derived from payments (whether or not made to the Agency) in respect of property, or borrowed money, used or to be used for any Private Person Use;

The Agency further covenants that, if:

(2) More than 5% of the Net Proceeds of the Bonds are used for any Private Person Use; and

(3) More than 5% of the principal or interest payments on the Bonds in a Bond Year are (under the terms of this Resolution or any underlying arrangement) directly or indirectly: (i) secured by any interest in property used or to be used for any Private Person Use

or secured by payments in respect of property used or to be used for any Private Person Use, or (ii) derived from payments (whether or not made to the Agency) in respect of property, or borrowed money, used or to be used for any Private Person Use; then, (i) any Private Person Use of the Refunding Project described in subsection (c) hereof or Private Person Use payments described in subsection (d) hereof that is in excess of the 5% limitation described in such subsections (b) or (c) will be for a Private Person Use that is related to the state or local governmental use portion of the Refunding Project to which the Private Person Use of such portion of the Refunding Project relates. The Agency further covenants that it will comply with any limitations on the users that are necessary, in the opinion of nationally-recognized bond counsel, to preserve the tax exemption of the interest on the Bonds.

Q. Private Loan Limitation. The Agency shall comply with the provisions of this Section unless, in the written opinion of nationally-recognized bond counsel to the Agency, such compliance is not required in order to maintain the exemption of the interest on the Bonds from federal income taxation.

The Agency covenants that so long as any portion of the Bonds are Outstanding, it will not permit such proceeds in excess of 5% of the Net Proceeds of the Bonds to be used (directly or indirectly) to make loans (other than loans that enable a borrower for a specific essential governmental function) to a Private Person.

R. Federal Guaranty Prohibition. The Agency shall comply with the provisions of this section unless, in the written opinion of nationally-recognized bond counsel to the Agency, such compliance is not required in order to maintain the exemption of the interest on the Bonds from federal income taxation.

The Agency covenants that so long as any portion of the Bonds is Outstanding, it will not take any action or permit or suffer any action to be taken if the result thereof would be to cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code and any Regulations promulgated thereunder.

S. Opinions of Bond Counsel. Whenever an opinion of bond counsel is rendered in connection with any provision of this Resolution, the opinion shall affirmatively state, in a manner acceptable to the Agency and the Trustee, that the action in question will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

ARTICLE XIII

AMENDMENTS

Section 13.1 AMENDMENTS TO RESOLUTION

A. The Agency from time to time and at any time may, with the consent of the Trustee (which consent shall not unreasonably be withheld), adopt a resolution or resolutions supplemental hereto, which resolution or resolutions thereafter shall become a part of this Resolution, for any one or more or all of the following purposes:

(1) To add to the covenants and agreements of the Agency in this Resolution, other covenants and agreements thereafter to be observed, which shall not adversely affect the interests of the Registered Owners of any of the Bonds, or to surrender any right or power herein reserved.

(2) To make such provisions for the purpose of curing any ambiguities or of curing, correcting, or supplementing any defective provision contained in this Resolution or any resolution authorizing future notes, warrants, or bonds in regard to matters or questions arising under such resolutions as the Agency may deem necessary or desirable and not inconsistent with such resolutions and which shall not adversely affect, in any material respect, the interest of any of the Registered Owners of the Bonds.

Any such supplemental resolution may be adopted without the consent of the Registered Owners of the Bonds at any time Outstanding, notwithstanding any of the provisions of subsection B of this Section.

B. With the consent of the Registered Owners of not less than sixty percent (60%) in aggregate principal amount of the Bonds at the time Outstanding, the Agency may adopt a resolution or resolutions supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Resolution or of any supplemental resolution; provided, however, that no such supplemental resolution shall:

(1) extend the fixed maturity of the Bonds, or reduce the rate of interest thereon, or extend the time of payment of interest from its due date, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the Registered Owner of each Bond so affected; or

(2) reduce the aforesaid percentage of

Registered Owners required to approve any such supplemental resolution, without the consent of the Registered Owners of all of the Bond the Outstanding.

It shall not be necessary for the consent of Registered Owners under this subsection B to approve the particular form of any proposed supplemental resolution, but it shall be sufficient if such consent shall approve the substance thereof.

C. Upon the adoption of any supplemental resolution pursuant to the provisions of this Section, this Resolution shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties, and obligations of the Agency under this Resolution and all Registered Owners of the Bonds then Outstanding hereunder shall thereafter be determined, exercised and enforced thereunder, subject in all respect to such modification and amendments, and all terms and conditions of any such supplemental resolution shall be deemed to be part of the terms and conditions of this Resolution for any and all purposes.

#### ARTICLE XIV

##### DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND REGISTERED OWNERS

###### Section 14.1 EVENTS OF DEFAULT

If any one or more of the following events of default shall happen, that is to say:

(1) if default shall be made in the due and punctual payment of the principal or redemption price of the Bonds when and as the same shall become due and payable, whether at maturity or by call for redemption or otherwise;

(2) if default shall be made in the due and punctual payment of any installment of interest on the Bonds, when and as such interest installment shall become due and payable;

(3) if default shall be made by the Agency in the performance or observance of any other of the covenants, agreements, or conditions on its part in this resolution or in the Bonds contained, and such default shall continue for a period of sixty (60) days after written notice thereof to the Agency by any Registered Owner;

(4) if judgment for the payment of money shall be rendered against the Agency, and any such judgment shall not be taken therefrom or from the order, decree

or process upon which or pursuant to which such judgment shall have been granted or entered, in such levy under such judgment, or order, decree or process or the enforcement thereof;

(5) if there shall occur dissolution or liquidation of the Agency or the filing by the Agency of a voluntary petition in bankruptcy, or the commission by the Agency of any act of bankruptcy, or adjudication of the Agency as a bankrupt, or assignment by the Agency for the benefit of its creditors, or the entry by the Agency into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Agency in any proceeding for its reorganization instituted under the provisions of the federal bankruptcy act, as amended, or under any similar act in any jurisdiction which may now be in effect or which may hereafter be enacted; or

(6) if an order or decree shall be entered, with the consent or acquiescence of the Agency, appointing a receiver or receivers of the Refunding Project, or any part thereof, or if such order or decree, having been entered without the consent and acquiescence of the agency, shall not be vacated or discharged or stayed within ninety (90) days after the entry thereof;

then, and in each and every such case, so long as such Event of Default shall have been remedied, unless the Outstanding amount of the Bonds shall have already become due and payable, the Registered Owners of not less than twenty-five percent (25%) of the Bonds then Outstanding (by notice in writing to the Agency) may declare the Bonds then Outstanding, and the interest accrued thereon, and redemption premiums, if any, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything in this Bond Resolution or in the Bonds contained to the contrary notwithstanding. The right of the Registered Owners of not less than twenty-five (25%) of the Bonds then Outstanding 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 Debt Service on the Bonds, together with interest on such overdue installment of Debt Service to the extent permitted by law and reasonable and proper charges, if any, and redemption premiums, if any, and all the principal of, and interest accrued since the next preceding Debt Service payment date on, the Bonds due and payable solely by virtue of such declaration) shall either be paid by or for the account of the Agency or provision shall be made for such payment, than the payment of principal and interest due and payable, and redemption premiums, if any, solely by reason of such declaration shall



be made good or be secured, then and in every such case the Registered Owners of not less than twenty-five percent (25%) of the Bonds then Outstanding, by written notice to the Agency, may rescind such declaration and annul such default in its entirety. No such rescission or annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

Section 14.2 ACCOUNTING AND EXAMINATION OF RECORDS  
AFTER DEFAULT

A. The Agency covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and account of the Agency and all other records relating to the facilities shall at all reasonable times be subject to the inspection and use of the Trustee and of its agents and attorneys.

B. The Agency covenants that if an Event of Default shall happen and shall not have been remedied, the Agency, upon demand of the Trustee, will account, as if it were the trustee of an express trust, for all moneys, securities, and funds pledged or held under this Resolution for such period as shall be stated in such demand.

Section 14.3 APPLICATION OF FUNDS AND MONEYS AFTER  
DEFAULT

A. The Agency covenants that if an Event of Default shall happen and shall not have been remedied, the Agency, upon demand of the Trustee, shall pay over or cause to be paid over to the Trustee (i) forthwith, all moneys, securities, and funds then held by the Agency in any fund under this Resolution, and (ii) all Pledged Revenues as promptly as practicable after receipt thereof.

B. During the continuance of an Event of Default, the Trustee shall apply all moneys, securities, funds, and Pledged Revenues received by the Trustee pursuant to any right given or action taken under the provisions of this Section 14.3 as follows and in the following order:

(1) Expenses of Trustee. To the payment of the reasonable and proper charges, expenses and liabilities of the Trustee;

(2) Principal or Redemption Price and Interest. To the payment of the interest, principal, and redemption premiums, if any or redemption price then due on the Bonds as follows:

(a) unless the principal of all of the Bonds shall have been declared due and payable,

First: Interest - To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, together with accrued and unpaid interest on the Bonds theretofore called for redemption, 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: Principal or redemption price - To the payment to the persons entitle thereto of the unpaid principal or redemption price of the 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 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, and redemption premiums, if any, 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 Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, and redemption premiums, if any, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

C. If and whenever all overdue installments of interest on the Bonds, together with the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums payable by the Agency under this Resolution, including the principal and redemption price of accrued unpaid interest on the Bonds which shall the be payable by declaration or otherwise, shall either be paid by the Trustee for the account of the Agency, or provision satisfactory to the Trustee shall be made for such payment, and all Events of Default under this Resolution 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 Agency and the Trustee shall be restored, respectively, to their former positions and right under this Resolution. No such restoration of the Agency and the Trustee to their former positions and rights shall extend to or affect any subsequent Events of Default under this Resolution or impair any right consequent thereon.

Section 14.4 PROCEEDING BROUGHT BY TRUSTEE

A. 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 Registered Owners or Beneficial Owners of not less than twenty-five (25%) in principal amount of the Bonds then Outstanding, and the furnishing of indemnity satisfactory to the Trustee by the Registered Owners or Beneficial Owners, shall proceed to protect and enforce its rights and the rights of the Registered Owners or Beneficial Owners of the Bonds under this Resolution forthwith by a suit or suits in equity or at law, whether for the specified performance of any covenant herein contained, or in aid of the execution of any power herein granted, or for an accounting against the Agency as if the Agency 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 this Resolution.

B. All rights of action under this Resolution may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in the trial or other proceedings, and any such suit or proceedings instituted by the Trustee shall be brought in its name.

C. The Registered Owners or Beneficial Owners 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 its 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 Registered Owners or Beneficial Owners of the Bonds not parties to such direction.

D. Upon commencing a suit in equity or upon other commencement of judicial proceedings by the Trustee to enforce any right under this Resolution the Trustee shall be entitled to exercise any and all rights and powers conferred in this Resolution and provided to be exercised by the Trustee upon the occurrence of any Event or Default.

E. Regardless of the happening of an Event of Default, the Trustee shall have power to, but unless requested in writing by the Registered Owners or Beneficial Owners 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 this Resolution by any acts which may be unlawful or in violation of this 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 interests of the Registered Owners or Beneficial Owners.

Section 14.5      RESTRICTION ON ACTION OF REGISTERED OWNERS

A. Except as otherwise provided herein, no Registered Owner or Beneficial Owner 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 this Resolution or the execution of any trust under this Resolution or for any remedy under this Resolution, unless such Registered Owner or Beneficial Owner shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in this Section, and the Registered Owners or Beneficial Owners of at least twenty-five percent (25%) in principal amount of the Bonds then Outstanding shall have failed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in this Resolution or by the Law or by the laws of the State of Idaho or to institute such action, suit, or proceeding in its own name, and unless such Registered Owners or Beneficial Owners 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 sixty(60) days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Registered Owners or Beneficial Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by this Resolution, or to enforce any right under this Resolution, except in the manner herein provided; and that all proceedings at law or

in equity to enforce any provision of this Resolution shall be instituted, had, and maintained in the manner provided in this Resolution and for the equal benefit of all Registered Owners or Beneficial Owners of the Bonds Outstanding.

B. Nothing in this Resolution or in the Bonds shall affect or impair the obligation of the Agency, which is absolute and unconditional, to pay at the respective dates of maturity and places therein expressed the principal of (and premium, if any) and interest on the Bonds to the respective Registered Owners thereof, or affect or impair the right of action, which is also absolute and unconditional, of any Registered Owner or Beneficial Owner to enforce such payment of this Bond.

Section 14.6 REMEDIES NOT EXCLUSIVE

No remedy by the terms of this Resolution conferred upon or reserved to the Trustee or the Registered Owners of the Bonds is intended to be exclusive of any other remedy, but each and every such remedy given under this Resolution or existing at law or in equity or by statute on or after the date of adoption of this Resolution shall be available to the Trustee and the Registered Owners.

Section 14.7 WAIVERS OF EVENTS OF DEFAULT

Except as otherwise provided in Section 14.1, the Trustee in its discretion may waive any Event of Default hereunder and rescind its consequences. In the case on any such waiver and rescission, the Agency, the Trustee and the Registered Owners or Beneficial Owners shall be restored to their former positions and rights hereunder, respectively, but no such waiver and rescission shall extend to any subsequent of other default, or impair any right consequent thereon.

Section 14.8 NOTICE OF DEFAULT

The Trustee shall promptly mail to the Agency, to the Registered Owners of the Bonds then Outstanding, written notice of the occurrence of any Event of Default.

ARTICLE XV

MISCELLANEOUS PROVISIONS

Section 15.1 SALE OF THE BONDS

The sale of the Bonds to the Underwriter, in accordance with the terms and provisions set forth in the Bond Purchase Agreement attached hereto as Exhibit "F" is hereby approved. The Authorized Officers of the Agency are hereby authorized

to complete the Bond Purchase Agreement within the interest rate limitation set forth in Section 3.2 hereof.

The Preliminary Official Statement relating to the Bonds, substantially in the form presented to the Board at the meeting held on the date of this Resolution, is hereby approved, and the Chairman of the Agency is authorized to execute a Certificate as to the finality thereof, substantially in the form annexed hereto as Exhibit "G," in accordance with Rule 15c2-12 of the Securities Exchange Commission.

The proper officials of the Agency are hereby further authorized and directed to do all things necessary for the prompt execution and delivery of the Bonds and for the proper use and application of the proceeds of sale thereof.

The Authorized Officers of the Agency are further authorized and directed to publish notice of the adoption of this Resolution substantially in the form set forth in Exhibit "H" attached hereto.

#### Section 15.2 NOTICES

Any notice, request, authorization, or demand required or permitted to be given by this Resolution shall be deemed sufficiently given when delivered or mailed, by registered or certified mail, postage prepaid, as follows: if to the Agency, at: Ketchum City Hall, 480 East Avenue N., Ketchum, Idaho 83340; if to the Trustee, at: 15 West South Temple, Suite 200, Salt Lake City, Utah 84101.

#### Section 15.3 SEVERABILITY

If any one or more of the covenants or agreements provided in this Resolution to be performed on the part of the Agency shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements in this Resolution and shall in no way affect the validity of the other provisions of this Resolution or the Bonds.

#### Section 15.4 VALIDITY OF BONDS

Pursuant to Sections 50-2019 and 50-2911, Idaho Code, as amended, no direct or collateral action attacking or otherwise questioning the validity of the Bonds may be brought prior to the effective date of this Resolution or

after the elapse of thirty (30) days from and after the effective date of this Resolution.

Section 15.5 EXHIBITS INCORPORATED

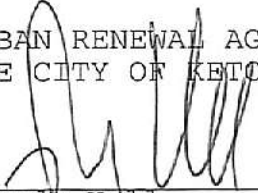
All Exhibits hereto are hereby incorporated by reference as if fully set forth herein.

Section 15.6 EFFECTIVE DATE


This Resolution shall take effect immediately upon its adoption and approval.

PASSED by the Urban Renewal Agency of the City of Ketchum, Idaho, on May 3, 2010. Signed by the Chairperson of the Board of Commissioners, and attested by the Secretary to the Board of Commissioners, on May 3, 2010.

URBAN RENEWAL AGENCY OF  
THE CITY OF KETCHUM

  
\_\_\_\_\_  
Randy Hall  
Chairman, Board of Commissioners

ATTEST:

  
\_\_\_\_\_  
Sandra E. Cady, Secretary

NOTICE OF  
RESOLUTION NO. 10-URA2

Public notice is hereby given by The Urban Renewal Agency of the City of Ketchum, Blaine County, Idaho (the "Agency"), that on May 3, 2010, the Board of Commissioners of the Agency approved and adopted Resolution No. 10-URA2 (the "Resolution").

The Resolution ratifies, and confirms the issuance, sale, and delivery of the Agency's Revenue Allocation (Tax Increment) Refunding Bonds, Series 2010 (the "Refunding Bonds"), in an aggregate principal amount not to exceed \$6,750,000, for a term not to exceed twenty five years.

The Refunding Bonds are being issued to provide funds for the refunding of outstanding promissory notes of the Agency (the "Refunding Project"), to be financed from the proceeds of the Refunding Bonds. The Refunding Project shall consist of (1) paying, redeeming, and retiring the currently-outstanding promissory notes held by the Agency; (2) the deposit of funds into the Debt Service Reserve Fund for the Refunding Bonds in the amount of the Reserve Fund Requirement; and (3) payment of the Costs of Issuance of the Refunding Bonds. The Agency hereby authorizes and directs the appropriate officers of the Agency to carry out the Refunding Project consistent with the terms of the Resolution.

Under the Resolution, the Agency has pledged for the payment of the amount of interest, redemption premium, if any, and the principal coming due on each payment date of the Refunding Bonds, all Incremental Tax Revenues received by the Agency, moneys in the Bond Fund, and investment earnings on money held in the Bond Fund, all as defined in the Resolution. Pledged Revenues received by the Agency in excess of Debt Service on the Refunding Bonds may be reserved by the Agency for future payments of Debt Service on the Refunding Bonds, to redeem or purchase Outstanding Bonds on the open market, or for any other legal purpose of the Agency.

Neither the City of Ketchum, the State of Idaho, its Legislature, nor any political subdivision, other than the Agency, thereof is liable for the payment of the principal of or interest or redemption premium, if any, on the Refunding Bonds.

The Resolution and other supporting material is available for public inspection at the offices of the Agency at Ketchum City Hall, 480 East Avenue N, Ketchum, Idaho, Monday through Friday, 8:30 a.m. to 5:00 p.m. (telephone [208] 726-3841).


The Resolution became effective upon its passage and approval on May 3, 2010.



In accordance with the provisions of Sections 50-2019 and 50-2911 of the Idaho Code, no direct or collateral action attacking or otherwise questioning the validity of the Refunding Bonds may be brought prior to the effective date of the Resolution authorizing such Refunding Bonds or after the elapse of thirty (30) days from and after the effective date of the Resolution authorizing such Refunding Bonds.

By Order of the Board of Commissioners of the Urban Renewal Agency of the City of Ketchum, dated as of the 3<sup>rd</sup> day of May, 2010.

URBAN RENEWAL AGENCY OF THE  
CITY OF KETCHUM

By  \_\_\_\_\_  
Randy Hall, Chairman

ATTEST:

 \_\_\_\_\_  
Sandra E. Cady  
Secretary

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May 12, 2010