

RESOLUTION NO. 10-URA3

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, AMENDING RESOLUTION NO. 10-URA2 TO CLARIFY THE REQUIREMENTS FOR BONDS ISSUED ON PARITY WITH THE BONDS AUTHORIZED BY RESOLUTION NO. 10-URA2; AND TO PROVIDE AMENDMENTS REGARDING THE AUTHORIZATION OF THE BOND PURCHASE AGREEMENT AND PRELIMINARY OFFICIAL STATEMENT; AND PROVIDING AN EFFECTIVE DATE

WHEREAS, the Board of Commissioners of the Urban Renewal Agency of the City of Ketchum adopted Resolution No. 10-URA2 on May 3, 2010, to provide for the authorization of the issuance of revenue allocation (tax increment) refunding bonds, Series 2010, in an aggregate principal amount not to exceed \$6,750,000, and

WHEREAS, the Board of Commissioners of the Urban Renewal Agency of the City of Ketchum desires to amend Resolution No. 10-URA2 to clarify the requirements for future bonds issued on parity with the bonds authorized by Resolution No. 10-URA2, and

WHEREAS, the Board of Commissioners of the Urban Renewal Agency of the City of Ketchum desires to amend Resolution No. 10-URA2 regarding the authorization of the bond purchase agreement and preliminary official statement in respect to the bonds authorized by Resolution No. 10-URA2, and

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE URBAN RENEWAL AGENCY OF THE CITY OF KETCHUM, IDAHO, THAT RESOLUTION NO. 10-URA2 SHALL BE AMENDED AS FOLLOWS:

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; AND ANY BONDS ISSUED ON A PARITY WITH 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 to establish terms under which future borrowings with a lien on parity with the Refunding Bonds can be issued; 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

off 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 and Additional 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 and Additional 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 and Additional Bonds shall be calculated on the assumption that no portion of the Bonds or Additional Bonds Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of principal of the Bonds or Additional 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, with respect to the Bonds or Additional Bonds shall mean the aggregate principal amount of the Bonds or Additional Bonds, plus accrued interest, if any, and redemption premiums, if any, less the Reserve Fund Requirement and the Costs of Issuance of the Bonds or Additional 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 expenses 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 later 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, and Additional Bonds as of any particular date, shall mean the Bonds and Additional 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 Additional Bonds, or date fixed for redemption of the Bonds or Additional 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 and Additional 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 or Additional 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 and Additional Bonds Outstanding secured by the Debt Service Reserve Fund, (ii) 125% of average annual Debt Service on all Bonds and Additional 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 or any Additional Bonds that are issued on a tax-exempt basis.

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 and Additional 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.

(52) 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.)

(36) 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 AND ADDITIONAL BONDS

Section 4.1 PLEDGE FOR PAYMENT OF BONDS AND ADDITIONAL 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 and Additional 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,