

KETCHUM URBAN RENEWAL AGENCY
Blaine County, Idaho

REVENUE ALLOCATION (TAX INCREMENT)
REFUNDING BONDS, SERIES 2010
PRINCIPAL AMOUNT \$6,440,000

TAX CERTIFICATE

1. In General.

- 1.1 The undersigned is the Treasurer of the Ketchum Urban Renewal Agency, Blaine County, Idaho (the "Issuer") and is one of the officers who is charged, with others, with the responsibility of issuing the Revenue Allocation (Tax Increment) Refunding Bonds, Series 2010, of the Issuer, in the aggregate principal amount of \$6,440,000 (the "Bonds").
- 1.2 I am generally familiar with the proceedings of the Issuer taken preliminary to and in the issuance of the Bonds, including Resolution No. 10-URA2 adopted by the Issuer on May 3, 2010, as amended by Resolution No. 10-URA3, adopted by the Issuer on May 17, 2010 (the "Bond Resolution"). Unless otherwise defined in this Certificate, all capitalized terms used herein have the meanings ascribed to them in the Bond Resolution.
- 1.3 This Certificate is executed for the purpose of establishing the reasonable expectations of the Issuer as to future events relating to the Bonds pursuant to Section 148 of the Internal Revenue Code of 1986, as amended (the "Code") and pursuant to Treasury Regulations (the "Regulations") §§ 1.148-0 through 1.148-11, and for the purpose of evidencing compliance with certain other provisions of the Code.
- 1.4 The Issuer has not been notified of any listing or proposed listing of the Issuer by the Internal Revenue Service as an issuer that may not make certifications with respect to its Bonds.
- 1.5 Designation as Qualified Tax Exempt Obligations. The Issuer hereby designates the Bonds as "qualified tax exempt obligations" under Section 265(b)(3) of the

Code. The Issuer does not reasonably anticipate issuing governmental obligations exceeding in the aggregate \$30,000,000 during calendar year 2010.

2. Definitions.

For the purposes of this Certificate, in addition to the words defined in Section 1 of this Certificate, the following words and phrases shall have the meanings set forth in this Section 2.

"Bond Fund" means the debt service fund created by the Bond Resolution for the Bonds.

"Bond Year" means each one-year period ending on September 30. The first Bond Year is a short year ending on September 30, 2010.

"Computation Date" means the last day of the 5th Bond Year, the last day of each succeeding 5th Bond Year prior to the date the Bonds have been discharged, and the date on which all of the Bonds are discharged.

"Fair Market Value" means the Fair Market Value of a Nonpurpose Investment determined as provided in Regulation § 1.148-5(d)(6), i.e., in general the price at which a willing buyer would purchase the Nonpurpose Investment from a willing seller, in a bona fide arm's-length transaction. The price shall not be increased by brokerage commissions, administrative expenses or similar expenses.

If the Nonpurpose Investment is traded on an established securities market, the Fair Market Value shall be based on recent trades in the Nonpurpose Investment in the manner provided in Regulation § 20.2031(2); but if the Nonpurpose Investment is an obligation of the United States (or any agency or instrumentality thereof) and is backed by the full faith and credit of the United States (or any agency or instrumentality thereof), the Fair Market Value shall be its purchase price.

"Future Value" means the future value as of a computation Date of a Receipt or Payment received prior to a Computation Date determined in accordance with the formula provided by Regulation § 1.148-3(c).

"Government Unit" means a state or a political subdivision thereof. Such term does not include the United States or any agency or instrumentality thereof.

"Gross Proceeds" or "Proceeds of the Bonds" means the Sale Proceeds from the issuance and sale of the Bonds to the public and any Replacement Proceeds.

"Materially Higher Yield Investment" means investments having a yield more than one-eighth of one percentage point above the Bond yield except that the investment yield in the Refunding Account and for any Replacement Proceeds if materially higher if it is more than one-thousandth of one percent above the Bond yield. If an investment is a Tax-Exempt Obligation, but is not investment property, there is no yield limitation.

"Nonpurpose Investment" means any investment property (as defined in Section 148(b) of the Code) in which gross proceeds are invested. The term "Nonpurpose Investment" does not include any Tax-Exempt Obligation except as provided in Section 148(b)(3) of the Code.

"Payment" means (i) the amount of Gross Proceeds actually or constructively used to purchase a Nonpurpose Investment, (ii) in the case of any Nonpurpose Investment not actually purchased with Gross Proceeds, the Fair Market Value of the Nonpurpose Investment as of the date it is allocated to the Bonds, (iii) any payment of rebatable arbitrage to the United States. Payments are not increased by the amount of any brokerage commissions, administrative expenses or similar expenses.

"Present Value" on any date, in general means the present value as of that date of all future amounts to be received after that date with respect to the Nonpurpose Investment whose present value is being calculated, in accordance with Regulation § 1.148-5(5).

"Private Activity Bonds" means any obligation or obligations described in Section 141(a) of the Code.

"Prohibited Payment Transaction" means any transaction to reduce the Yield of an investment of Gross Proceeds of the Bonds in such a manner that the amount to be rebated to the federal government pursuant to Section 7 hereof is less than it would have been had the transaction been at arm's length and the Yield on the Bonds not been relevant to either party.

"Project" means the providing of funds pursuant to the Bond Resolution to refund the Series 2007 Notes.

"Rebate Amount" means with respect to the Bonds, the amount computed as described in the Regulations.

"Receipt" means any amount actually or constructively received from an investment, such as earnings and return of principal. For purposes of computing the rebate amount, "receipt" means a receipt as defined in Regulation § 1.148-3(d). For purposes of computing yield on an investment, "receipt" means a receipt as defined in Regulation § 1.148-5(b).

"Refunding Account" means the fund or account, established pursuant to the Issuer's instructions to refund the Series 2007A Note, the Series 2007B Note, and the Series 2007C Note.

"Replacement Proceeds" means any amounts that have a sufficiently direct nexus to the Bonds or to the governmental purposes of the Bonds to conclude that the amounts would have been used for that governmental purpose if the proceeds of the Bonds were not used for that purpose. Replacement Proceeds include, but are not limited to, sinking funds, pledged funds and other amounts that have a nexus to the governmental purposes of the Bonds to the extent that these funds or amounts are held by or derived from a substantial beneficiary of the Bonds.

"Reserve Fund" means the Debt Service Reserve Fund created by the Bond Resolution.

"Sale Proceeds" means any amounts actually or automatically received from the sale of the Bonds including amounts used to pay underwriter's discount or compensation and accrued.

"Series 2007 Notes" means the Issuer's outstanding Series 2007A Note, Series 2007 B Note, and Series 2007C Note, as more fully set forth in the Bond Resolution.

"Tax Exempt Obligations" means any obligation the interest on which is excluded from gross income under Section 103(a) of the Code and which is not a specified private activity bond as defined in Section 57(a)(5)(C) of the Code.

"Yield" means that yield which when used in computing the present worth of all payments of principal and interest on any obligation produces an amount equal to its purchase price, calculated as provided in Section 148 of the Code and the Regulations. Yield shall be calculated by using a 360-day year and a semiannual compounding interval.

"Yield of the Bonds" as of this date means the Yield of the Bonds calculated in the manner required by the Regulations. The Yield of the Bonds shall be recalculated if a recalculation is

required by the Regulations, and the term "Yield of the Bonds" in the event of such recalculation shall mean the Yield of the Bonds as so recalculated.

3. Purpose of the Bonds; Cost of Project; Source and Disbursement of Funds.

3.1 The Bonds are being issued for the purpose of providing funds to refund the Series 2007 Notes.

3.2 The estimated total cost of the Project is the sum of \$6,440,000.

3.3 The estimated total cost of completing the Project set forth in Section 3.2 of this Certificate will not be less than a sum of the public offering price of the Bonds and the investment income earned on such Bond proceeds and the amounts so transferred identified in Section 3.5 below.

3.4 The Bonds will be sold to the public at the price of \$6,371,062.65.

3.5 \$6,371,062.65 received from the sale of the Bonds is expected to be needed and fully expended as follows:

1. \$104,650.00 of the proceeds from the public sale of the Bonds will be retained by the underwriters of the Bonds for their compensation for underwriting and selling the Bonds to the public;
2. \$6,266,412.95 of the proceeds from the public sale of the Bonds will be deposited into the Refunding Account and used to accomplish the Project;
3. \$85,871.46 of the proceeds from the public sale of the Bonds will be used for payment of the remaining costs of issuing the Bonds.
4. \$549,625 of the proceeds from the public sale of the Bonds will be placed in the Debt Service Reserve Fund.

4. Temporary Period.

4.1 All amounts described in Section 3.5 are expected to be expended for the payment of the cost of the Project and the cost of issuing the Bonds on or before August 19, 2010.

5. Bond Fund; Other Funds.

5.1 The principal of and interest on the Bonds is to be paid from the amounts deposited into the Bond Fund, and the Issuer has not created or established and does not expect to create or establish any sinking fund, loan fund, or similar fund for the Bonds, except the Reserve Fund described hereinafter. The Bond Fund will be established primarily for the purpose of achieving a proper matching of revenues and debt service on the Bonds within each Bond Year and will be depleted at least once a year.

5.2 Any money deposited in the Bond Fund will be spent within a twelve-month period beginning on the date of deposit, and any amount received from investment of money held in this account will be spent within a one-year period beginning on the date of receipt, except for a reasonable carry-over amount not to exceed the greater of one year's earnings on the Bond Fund or one-twelfth of the annual debt service on the Bonds. The money in the Bond Fund is expected to be completely depleted once each year, except for the carry-over amount described above.

5.3 The Bond Resolution establishes a Reserve Fund to provide security for the payment of debt service on the Bonds. The Reserve Fund for the Bonds will be funded in an amount not exceeding the lesser of (a) 10% of the stated principal amount of the Bonds, (b) maximum annual principal and interest requirements on the Bonds, or (c) 125% of the average annual principal and interest requirements on the Bonds.

6. Refunding Project; Yields.

6.1 The Yield on the Bonds is 5.3024396%. In computing this Yield, the purchase price used for the Bonds was \$6,440,000.00; i.e., the offering price of the Bonds to the public, as verified by the Underwriter's

Certificate. The payments of principal and interest made on the Bonds used in the computation of Yield on the Bonds were treated as being made when due at maturity or pursuant to a mandatory redemption provision of the Bond Resolution. It is expected that these payments will be made at these times. The payments of principal and interest used in the computations of the Yield on the Bonds were the face amounts of principal and interest due, which are the payments the Issuer expects to make.

- 6.2 The sum of the expected ending balance in the Refunding Account does not exceed 1% of the face amount of the Bonds less the underwriter's compensation and all costs of issuing the Bonds.
- 6.3 All of the original proceeds of the Series 2007 Notes have been expended.

7. Rebate.

- 7.1 The Issuer will not make any investment of the proceeds of the Bonds at a Yield greater than the Yield on the Bonds.
- 7.2 The Issuer will not enter into any Prohibited Payment Transaction.
- 7.3 In connection with rebate requirements, the Issuer will maintain the following records until six years after the discharge of the Bonds:
 - 1. records of the determinations of any rebate payments due;
 - 2. records of any rebate payments paid to the United States; and
 - 3. such evidence as is necessary so as to demonstrate compliance with Section 7.2 hereof, including obtaining certificates and bids if required by regulations under Section 148 of the Code. In addition, in order to evidence compliance with the Regulations, if the Issuer enters into an investment agreement to purchase Nonpurpose Obligations, it shall receive at least three

comparable bids from three different providers of investment agreements or their agents. The Issuer may receive bids from three providers of investment agreements through one agent if a fee is paid to such agent by the Issuer and such agent does not receive any payment from the providers in connection with providing the investment agreement to the Issuer.

8. Prohibited Uses of Proceeds; Federal Guarantees.

- 8.1 None of the proceeds of the Bonds will be used (directly or indirectly) to acquire any "nongovernmental output property" as defined in Section 141(d) of the Code or to make or finance loans to persons other than Governmental Units, other than (i) loans which enable the borrower to finance any governmental tax or assessment of general application for specific essential governmental functions or (ii) loans which consist of investments in Nonpurpose Investments.
- 8.2 Not more than an amount which is less than 5% of the proceeds of the Bonds will be used to finance "output facilities" (as that term is used in Section 141(b)(4) of the Code) other than facilities for furnishing water, any portion of the output of which is dedicated to or otherwise made available for use by persons other than Governmental Units on a basis other than that provided to the general public.
- 8.3 No more than 10% of the proceeds of the Bonds will be used (directly or indirectly) in a trade or business (or to finance facilities which are used in a trade or business) carried on by any person other than a Governmental Unit. Not more than 5% of the proceeds of the Bonds will be used (directly or indirectly) in any trade or business (or to finance facilities which are used in a trade or business) carried by any person other than a Governmental Unit if such use is not related to use of the proceeds by Governmental Units or if such use is disproportionate to the use of the proceeds by Governmental Units, all within the meaning of Section 141 of the Code.

- 8.4 Section 8.3 shall apply only if the payment of 10% (5% in the case of use by non-Governmental Units which is not related to or is disproportionate to use by Governmental Units) or more of the principal and interest on the Bonds is (under the term of the Bonds or any underlying arrangement) directly or indirectly (i) secured by any interest in property used or to be used for a private business use or by payments in respect to property used or to be used for private business use or (ii) derived from payments whether or not to the Issuer in respect to property or borrowed money used or to be used for a private business use.
- 8.5 None of the proceeds of the Bonds will be used to reimburse the Issuer for an expenditure made prior to the date hereof unless at the time the expenditure was made and since that time to the date hereof the Issuer intended to reimburse itself for the expenditure with borrowed money and evidenced the same by adoption of an official intent resolution as provided by § 1.150-2 of the Regulations.
- 8.6 The payment of the principal and interest on the Bonds is not and will not be guaranteed directly or indirectly by the federal government within the meaning of § 149(b) of the Code.
- 8.7 At least 85% of the proceeds of the Series 2007 Notes were expected (as of the date of issue of the Series 2007 Notes) to be expended within three years of the date of issue of the Series 2007 Notes, and not more than 50% of the proceeds of the Series 2007 Notes were invested in Nonpurpose Investments having a substantially guaranteed Yield for four years or more.

9. Investment Limitations.

- 9.1 Costs of Issuance Fund. Money allocated to the credit of the Costs of Issuance Fund and to pay costs of issuance of the Bonds will not be invested in Materially Higher Yield Investments after August 19, 2010.
- 9.2 Refunding Account. Investments deposited into the Refunding Account will not be invested at a yield that exceeds the Bond Yield.

9.3 Bond Fund. Money allocated to the credit of the Bond Fund will not be invested in Materially Higher Yield Investments for a period that exceeds 13 months from the date such money is deposited therein.

9.4 Reserve Fund. Money allocated (in accordance with the provisions of Section 1.148-6(e)(6) of the Income Tax Regulations) to the credit of the Reserve Fund for the Bonds) will be invested in Materially Higher Yield Investments only so long as the amount so invested does not exceed the smallest of:

1. \$644,000 (10% of the face amount of the Bonds);
2. an amount equal to maximum annual principal and interest requirements on the Bonds; or
3. an amount equal to 125% of average annual principal and interest requirements on the Bonds.

9.5 Revenue Allocation Fund. Money allocated to the credit of the Revenue Allocation Fund will be invested without regard to the rate of investment return or the period of investment.

10. Miscellaneous.

10.1 Except for the Series 2007 Notes, none of the amounts received from the issuance of the Bonds will be used to refund or refinance any Tax-Exempt Obligations including, for the purposes of this paragraph only, Tax-Exempt Obligations which are specified private activity bonds as defined in Section 57(a)(5)(C) of the Code.

10.2 No portion of the proceeds of the Bonds will be used as a substitute for other funds that otherwise were to be used as a source of financing of the Project and that have been or will be used to acquire directly or indirectly investments with a Yield in excess of the Yield of the Bonds.

10.3 Other than as mentioned in this Certificate, there are not expected to be any funds or accounts pledged to the Bonds, expected to be used to pay the Bonds, or otherwise established in a manner such that there is a

reasonable assurance the amount deposited therein will be available to pay debt service on the Bonds if the Issuer encounters financial difficulties.

- 10.4 This Certificate is, in part, to serve as a guideline in implementing the requirements of Sections 141 to 150 of the Code. If regulations, rulings, announcements, and notices (the "Pronouncements") validly promulgated under the Code contain requirements which differ from those outlined here which must be satisfied for the Bonds to be Tax-Exempt Obligations pursuant to the covenants contained in the Bonds, the Issuer is obligated to take such steps as are necessary to comply with such requirements. If under the Pronouncements, compliance with any of the requirements of this Certificate is not necessary to maintain the exclusions of Interest on the Bonds for federal income tax purposes, the Issuer shall not be obligated to comply with that requirement. The Issuer has been advised to seek the advice of competent counsel with a nationally recognized expertise in matters affecting the exclusion of interest on municipal bonds from gross income in fulfilling its obligations under the Code to take all steps as are necessary to maintain the status of the Bonds as Tax-Exempt Obligations.

IN WITNESS WHEREOF, the Issuer has caused this Certificate to be executed by its proper officer duly authorized, all as of the 19th day of August, 2010.

By  _____
Sandy E. Cady, Treasurer