

**Appendix D**  
**Form of Continuing Disclosure Agreement**

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## CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the Idaho Bond Bank Authority (the "Issuer") and U.S. Bank National Association, Corporate Trust Department (the "Dissemination Agent") in connection with the issuance of the \$ \_\_\_\_\_ Revenue Bonds, Series 2009C (the Series 2009C Bonds). The Series 2009C Bonds are being issued pursuant to a Master Trust Agreement dated as of December 1, 2004 (the "Master Trust Agreement"), and an Eleventh Supplemental Trust Agreement dated as of November 1, 2009 between the Issuer and U.S. Bank National Association as trustee (collectively with the Master Trust Agreement, the "Trust Agreement"). Under the Loan Agreement between the Authority and each Participant, annual reports are required to be furnished to the Dissemination Agent for dissemination as provided therein. The Issuer covenants and agrees with the Dissemination Agent as follows:

**SECTION 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the Issuer and the Dissemination Agent for the benefit of the Owners and Beneficial Owners of the Series 2009C Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule").

**SECTION 2. Definitions.** In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person who has the power, directly or indirectly, to vote or consent with respect to, or dispose of ownership of any Series 2009C Bonds (including persons holding the Series 2009C Bonds through nominees, depositories or other intermediaries).

"Series 2009C Bonds" means the Issuer's Revenue Bonds, Series 2009C.

"Disclosure Representative" shall mean the Executive Director of the Issuer or his or her designee, or such other officer or employee as the Issuer shall designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" shall mean U.S. Bank National Association, Corporate Trust Department, which also acts as Trustee for the Series 2009C Bonds or any successor Dissemination Agent designated in writing by the Issuer and which has filed with U.S. Bank National Association, acting in its capacity as Trustee for the Series 2009C Bonds ("Trustee") a written acceptance of such designation.

"EMMA" means the Electronic Municipal Market Access System ("EMMA") of the Municipal Securities Rule Making Board as provided for by the Securities and Exchange Commission and located at [www.emma.msrb.org](http://www.emma.msrb.org).

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"Official Statement" means the Official Statement for the Series 2009C Bonds dated October \_\_, 2009.

"Owner" shall mean the registered owner or holder of the Series 2009C Bonds as designated in the registration books and records of the Issuer kept and maintained by the Bond Registrar.

"Participating Underwriter" shall mean any of the original underwriters of the Series 2009C Bonds required to comply with the Rule in connection with offering of the Series 2009C Bonds.

"Repository" shall mean the Municipal Securities Publishing Board through EMMA at [www.emma.msrb.org](http://www.emma.msrb.org).

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"Trustee" means U.S. Bank National Association as Trustee for the Series 2009C Bonds.

### **SECTION 3. Provision of Annual Reports.**

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than six months after the end of the Issuer's Fiscal Year (presently June 30), commencing with the report for the Fiscal Year ending June 30, 2009, provide to the Repository, if any, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement. If the Issuer's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

(b) Not later than 15 Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repository, the Issuer shall provide the Annual Report to the Dissemination Agent and the Trustee for the Series 2009C Bonds. If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer to determine if the Issuer is unable to provide the Annual Report in compliance with the first sentence of this subsection (b).

(c) If the Dissemination Agent has not received the Annual Report or is unable by the date specified in Section 3(b) to verify that an Annual Report has been provided to the Repository by the date required in subsection (a) the Dissemination Agent shall send a notice to the Repository, in substantially the form as Exhibit "A" attached.

(d) The Dissemination Agent (currently the Trustee) shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of the Municipal Securities Rulemaking Board and any Repository and file the Annual report as provided in Sections 3(a); and

(ii) file a report with the Issuer and the Trustee (in the event the Dissemination Agent is not the Trustee) certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing the Repository; and

(iii) file the annual report, notices of material listed events and other information received from the Municipalities pursuant to the Loan Agreements the Loan Agreement and perform all obligations set forth for the Trustee and/or dissemination agent under the Loan Agreements. The Trustee shall continue to perform all of the obligations of the dissemination agent and Trustee under the Loan Agreements regardless of whether the Trustee continues as Dissemination Agent under this Disclosure Agreement.

(e) Any filing under this Disclosure Agreement may be made solely by transmitting such filing to EMMA.

**SECTION 4. Content of Annual Reports.** The Issuer's Annual Report shall contain or include by reference the following:

1. The financial statements for the Issuer for the most recently ended Fiscal Year, commencing with the Fiscal Year ended June 30, 2009. Such financial statements will be prepared, in substantial conformance with generally accepted accounting principles applicable to governmental entities in the form required by the State of Idaho. The Issuer will also provide annual information for the State sales tax account as set forth in the tables under the heading "Security for the Series 2009C Bonds -- State Sales Tax Account" of the Official Statement.

2. The balance then remaining as of the end of the most recent Fiscal Year of the Issuer for the Surplus Fund and the Revenue Fund.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Repository. The Issuer shall clearly identify each such other document so included by reference.

**SECTION 5. Reporting of Significant Events.**

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2009C Bonds, if material:

1. principal and interest payment delinquencies.
2. non-payment related defaults.
3. modifications to rights of Bond Owners.
4. optional, contingent or unscheduled bond calls.
5. defeasances.
6. rating changes.
7. adverse tax opinions or events adversely affecting the tax-exempt status of the Series 2009C Bonds.
8. unscheduled draws on debt service reserves reflecting financial difficulties.
9. unscheduled draws on credit enhancements reflecting financial difficulties.
10. substitution of credit or liquidity providers, or their failure to perform.
11. release, substitution, or sale of property securing repayment of the Series 2009C Bonds.

(b) The Dissemination Agent shall, within 1 Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f).

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event whether because of a notice from the Dissemination Agent pursuant to subsection (b) or otherwise, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Issuer has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Issuer shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b) the Issuer determines that the Listed Event would not be material under applicable federal securities laws, the Issuer shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of Series 2009C Bonds pursuant to the Trust Agreement.

**SECTION 6. Termination of Reporting Obligation.** The Issuer's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2009C Bonds. If such termination occurs prior to the final maturity of the Series 2009C Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(f).

**SECTION 7. Dissemination Agent.** The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If the Issuer is not the Dissemination Agent, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be the Trustee.

**SECTION 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment reasonably requested by the Issuer), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2009C Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2009C Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Series 2009C Bonds in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Owners, or (ii) does not, in the opinion of the Dissemination Agent or nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Series 2009C Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or,

in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(f), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**SECTION 9. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**SECTION 10. Default.** In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, the Trustee for the Series 2009C Bonds may (and, at the request of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Series 2009C Bonds, shall), or any Owner or Beneficial Owner of the Series 2009C Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer to comply with this Disclosure Agreement shall be an action to compel performance.

**SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2009C Bonds.

**SECTION 12. Notices.** Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Issuer:

Idaho Bond Bank Authority  
Office of the State Treasurer  
Room 102 Statehouse  
P.O. Box 83720



Boise, Idaho 83720-0091  
Attn: Executive Director  
(208) 332-2997  
FAX (208) 332-2961

To the Trustee/  
Dissemination Agent:

U.S. Bank National Association  
Corporate Trust Assurance Department  
170 South Main Street, Suite 200  
Salt Lake City, UT 84101  
Telephone: (801) 534-6083  
Fax: (801) 534-6013

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

**SECTION 13. Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee, the Dissemination Agent, the Participating Underwriters and Owners and Beneficial Owners from time to time of the Series 2009C Bonds, and shall create no rights in any other person or entity.

**SECTION 14. Fees.** The Dissemination Agent shall be paid \$750.00 per year for its services as Dissemination Agent under this Disclosure Agreement and \$750.00 per year for its services under Section 5.9 of the North Kootenai Water District Loan Agreement and Section 5.5 of the Benewah County Loan Agreement.

**SECTION 15. Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: November 3, 2009.

**IDAHO BOND BANK AUTHORITY,**  
as Issuer

By \_\_\_\_\_

**U.S. BANK NATIONAL ASSOCIATION,**  
as Dissemination Agent

By: \_\_\_\_\_  
Authorized Officer

EXHIBIT "A"

**NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Idaho Bond Bank Authority

Name of Bond Issue: Revenue Bonds, Series 2009C

Date of Issuance: November 3, 2009

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Series 2009C Bonds as required by the Master Trust Agreement dated as of December 1, 2004 and the Eleventh Supplemental Trust Agreement dated as of November 1, 2009. [The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_

U.S. Bank National Association  
as Dissemination Agent  
On behalf of the Issuer

c: Issuer

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## **Appendix E**

### **Summary of Certain Provisions of the Trust Agreement and the Form of Loan Agreement**

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**APPENDIX E**  
**SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT AND**  
**THE FORM OF LOAN AGREEMENT**

The following summary discussion of selected features of the Master Trust Agreement, the Eleventh Supplemental Trust Agreement (together, with the First, Second, Third, Fourth, Fifth, Sixth, Seventh, Eighth, Ninth and Tenth Supplemental Agreements, the "Trust Agreement") and the form of Loan Agreement are made subject to all of the provisions of such documents and to the discussion of such documents contained elsewhere in this Official Statement. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the Bonds are referred to the complete text of the Trust Agreement and the Municipality Loan Agreement, copies of which are available upon request from U.S. Bank National Association, Corporate Trust Services, 170 South Main Street, Suite 200, Salt Lake City, Utah 84101. Definitions of certain terms are provided in Appendix A of this Official Statement.

**SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT**

**Issuance of Bonds**

General Provisions for Issuance of Additional Bonds

All (but not less than all) of the Bonds of each Series shall be executed by the Authority for issuance under the Trust Agreement and delivered to the Trustee and thereupon shall be authenticated by the Trustee and be delivered to the Authority or upon its order, but with the exception of the 2004A Bonds, only upon the receipt by the Trustee of the following items (upon which the Trustee may conclusively rely in determining whether the conditions precedent for the issuance and authentication of such Series of Bonds have been satisfied):

(a) An executed copy of the Trust Agreement as originally executed and certified to be in full force and effect;

(b) An opinion of Bond Counsel to the effect that (i) the Trust Agreement constitutes the valid obligation of the Authority; and (ii) the Bonds of such Series constitute the valid and binding special, limited obligations of the Authority, payable solely from the Trust Estate and any other additional source of funds not included in the Trust Estate if so provided in the Trust Agreement or any Supplemental Trust Agreement;

(c) A written order of the Authority as to the delivery of such Bonds;

(d) An executed copy of the Supplemental Trust Agreement authorizing such Bonds, which shall, among other provisions, specify:

(i) the authorized Principal Amount of the Current Interest Bonds of such Series and the aggregate Initial Amounts for the Capital Appreciation Bonds of each maturity for such Series; and the Series designation of such Bonds;

(ii) the purpose or purposes for which such Series of Bonds is being issued, which shall be (1) to provide moneys needed to purchase Municipal Bonds, by depositing into the Municipal Bond Purchase Fund the proceeds of such Series to be so applied, (2) to refund all or part of the Bonds of any one or more Series then Outstanding pursuant to the provisions of the Trust Agreement concerning Refunding Bonds, or (3) to provide moneys needed to refund all or part of any other Funded Debt, by depositing

with the Trustee funds in the necessary amount to pay or otherwise discharge all liability of Authority with respect to such Funded Debt in accordance with the terms thereof;

(iii) the date, and the maturity date or dates, of the Bonds of such Series;

(iv) the interest rate or rates on the Current Interest Bonds of such Series, and the Interest Payment Dates therefor;

(v) the dates of compounding interest on the Capital Appreciation Bonds of such Series, together with an Accreted Value Table for such Capital Appreciation Bonds indicating the Initial Amount for the smallest Authorized Denomination for such Capital Appreciation Bonds; the Accreted Value thereof on each date for compounding interest, and the Final Compounded Amount thereof (which Accreted Value Table shall establish the Accreted Value of such Capital Appreciation Bonds for each of the dates indicated in such Accreted Value Table for all purposes of the Trust Agreement, including the payment of such Capital Appreciation Bonds and the Accreted Value thereof on each compounding date for purposes of determining the Accreted Value thereof between such compounding dates; and the Accreted Value of such Capital Appreciation Bonds for any date not indicated on such Accreted Value Table shall be determined by compounding and compounding interest in accordance with the Supplemental Trust Agreement authorizing such Capital Appreciation Bonds);

(vi) Authorized Denominations of, and the manner of dating, numbering and lettering, the Bonds of such Series;

(vii) the Redemption Price or Prices, if any, and the redemption terms for the Bonds of such Series;

(viii) the Sinking Fund Installments, if any, for the Bonds of such Series, provided that each Sinking Fund Installment, if any, shall fall upon an Interest Payment Date for such Bonds;

(ix) whether the Bonds of such Series are to be registered in the name of a Securities Depository, or its nominee, and any provisions appropriate or necessary with respect to the arrangements made with the Securities Depository for such Bonds in the applicable Representation Letter;

(x) the application of the proceeds of the sale of such Bonds including the amount, if any, to be deposited in the Funds and Accounts; and

(xi) the forms of the Bonds of such Series and of the Trustee's certificate of authentication thereon;

(e) A certificate of an Authorized Representative stating that the Authority is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Trust Agreement and applicable to the Authority; provided, however, that in the case of Refunding Bonds such certificate may state that upon the application of the proceeds of such Refunding Bonds in accordance with the Supplemental Trust Agreement authorizing their issuance, the Authority shall not be in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Trust Agreement and applicable to the Authority;

(f) A Certificate of the Authority stating that the amount of State Sales Tax Moneys collected by the State during the most recent Fiscal Year for which audited financial statements are available is at least equal to 300 percent of the Aggregate Debt Service for the Sales Tax Secured Debt

(including the Additional Bonds) for the Fiscal Year next succeeding the Fiscal Year in which Additional Bonds are issued; and

(g) With respect to any Series of Refunding Bonds and in lieu of satisfying the requirements of clause (f), a certificate of an Authorized Representative to the effect that the principal and interest payable on all Outstanding Bonds in each Fiscal Year after the issuance of such Refunding Bonds, and the application of the proceeds thereof to the refunding of Bonds, shall not be greater than the principal and interest payable on all Outstanding Bonds immediately prior to the issuance of such Refunding Bonds.

(h) In the case of a Series of Bonds issued for the purposes described in the provisions of the Trust Agreement concerning Issuance of Bonds, written evidence that all actions and conditions required precedent to the discharge of the Funded Debt to be refunded have been taken or exist in accordance with the terms of such Funded Debt.

#### Refunding Bonds

One or more Series of Refunding Bonds may be issued, authenticated and delivered upon original issuance to refund all Outstanding Bonds of one or more Series or all or any Outstanding Bonds within a Series. Refunding Bonds shall be issued in a Principal Amount sufficient, together with other moneys available therefor, to accomplish such refunding including providing amounts for the Costs of Issuance of such Refunding Bonds and the making of any deposits into the Funds and Accounts required by the provisions of the Supplemental Trust Agreement authorizing such Series of Refunding Bonds.

Refunding Bonds of each Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the documents required by the provisions of the Trust Agreement concerning General Provisions for Issuance of Additional Bonds) of the following items (upon which receipt the Trustee may conclusively rely in determining whether the conditions precedent for the issuance and authentication of such Series of Refunding Bonds have been satisfied):

(a) Irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption, on a redemption date or dates specified in such instructions, of any of the refunded Bonds to be redeemed prior to maturity;

(b) Irrevocable instructions to the Trustee, satisfactory to it, to give the notice provided for in the provisions of the Trust Agreement concerning Discharge of Bonds to the Owners of the Bonds being refunded, if applicable; and

(c) Either (i) sufficient moneys, or (ii) Government Securities in such principal amounts, of such maturities, bearing interest at such rate or rates, and otherwise having such terms and qualifications so that the principal, interest and other payments to be made thereunder shall provide sufficient moneys, or (iii) a combination of (i) and (ii) shall provide sufficient moneys, in each case, as evidenced by a Certificate of an Independent Certified Public Account, to effect payment at the applicable Redemption Price of the refunded Bonds to be redeemed, the purchase price of refunded Bonds tendered for purchase, and of the Principal Amount of refunded Bonds not to be redeemed or purchased, together with accrued interest on such Current Interest Bonds to the redemption, purchase, or maturity date or dates, as the case may be, which moneys and Government Securities shall be held by the Trustee in a separate account irrevocably in trust for the respective Owners of the Bonds to be refunded.

#### Subordinated Indebtedness

The Authority may, at any time or from time to time, issue Subordinated Indebtedness for any purpose of the Authority, subject to the terms and conditions of this section of the Trust Agreement. Such Subordinated Indebtedness may be payable out of and may be secured by a pledge of Revenues and such amounts in the Subordinated Indebtedness Fund as may from time to time be available therefor, provided that any such payment and pledge shall be, and shall be expressed to be, subordinate and junior in all respects to the payment of the Bonds and the payments required to be made before the payments into the Subordinated Indebtedness Fund pursuant to the provisions of the Trust agreement concerning Subordinated Indebtedness Fund and to the lien of the pledge made pursuant to this Trust Agreement as security for the Bonds, and provided further that, except in the case of Subordinated Indebtedness the proceeds of which will be used to refund or pay Outstanding Bonds or Subordinated Indebtedness, no such Subordinated Indebtedness may be so issued except upon receipt by the Trustee of a certificate of an Authorized Representative stating that the Authority is not, and will not as the result of the issuance of such Subordinated Indebtedness be, in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Trust Agreement.

The Subordinated Indebtedness Trust Agreement authorizing each issue of Subordinated Indebtedness shall contain provisions (which shall be binding on all holders of such Subordinated Indebtedness) not more favorable to the holders of such Subordinated Indebtedness than the following:

(a) In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to the Authority or to its creditors, as such, or to its property, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Authority, whether or not involving insolvency or bankruptcy, the Owners of all Bonds then Outstanding shall be entitled to receive payment in full of the entire Principal Amount or Redemption Price of and all interest due on such Bonds in accordance with the provisions of the Trust Agreement before the holders of the Subordinated Indebtedness are entitled to receive any payment from the Subordinated Indebtedness Fund on account of principal (and premium, if any) or interest upon the Subordinated Indebtedness.

(b) In the event that any issue of Subordinated Indebtedness is declared due and payable before its expressed maturity because of the occurrence of an event of default (under circumstances when the provisions of (f) above shall not be applicable), the Owners of all Bonds Outstanding at the time such Subordinated Indebtedness so becomes due and payable because of the occurrence of such an event of default shall be entitled to receive payment in full of the entire Principal Amount or Redemption Price of and all interest on all such Bonds before the holders of the Subordinated Indebtedness are entitled to receive any accelerated payment from the Subordinated Indebtedness Fund of principal (and premium, if any) or interest upon the Subordinated Indebtedness.

(c) If any Event of Default with respect to the Bonds shall have occurred and be continuing (under circumstances when the provisions of (a) above shall not be applicable), the Owners of all Bonds then Outstanding shall be entitled to receive payment in full of the entire Principal Amount or Redemption Price of and all interest on all such Bonds as the same become due and payable before the holders of the Subordinated Indebtedness are entitled to receive, subject to the provisions of (e) below, any payment from the Subordinated Indebtedness Fund of principal (and premium, if any) or interest upon the Subordinated Indebtedness.

(d) Neither the Trustee nor any Owner shall be prejudiced in its right to enforce the subordination of the payment of Subordinated Indebtedness from the moneys in the Subordinated Indebtedness Fund by any act or failure to act on the part of the Authority.



(e) The Subordinated Indebtedness may provide that provisions (a), (b), (c) and (d) above are solely for the purpose of defining the relative rights of the Owners of the Bonds on the one hand, and the rights of the holders of Subordinated Indebtedness on the other hand, and that nothing therein shall impair, as between the Authority and the holders of the Subordinated Indebtedness, the obligation of the Authority to pay the holders thereof the principal thereof and premium, if any, and interest thereon in accordance with the terms of such Subordinated Indebtedness, nor shall anything therein prevent the holders of the Subordinated Indebtedness from exercising all remedies otherwise permitted by applicable law or under the Subordinated Indebtedness or the applicable Subordinated Indebtedness Trust Agreement upon default thereunder, subject to the rights under (a), (b), (c) and (d) above of the Owners of the Bonds to receive cash or securities from the Subordinated Indebtedness Fund otherwise payable or deliverable to the holders of the Subordinated Indebtedness; and the Subordinated Indebtedness may provide that, insofar as a trustee or paying agent for such Subordinated Indebtedness is concerned, the foregoing provisions shall not prevent the application by such trustee or paying agent of any moneys deposited with such trustee or paying agent for the purpose of the payment of or on account of the principal (and premium, if any) and interest on such Subordinated Indebtedness if such trustee or paying agent did not have knowledge at the time of such application that such payment was prohibited by the foregoing provisions.

Any issue of Subordinated Indebtedness may have such rank or priority with respect to any other issue of Subordinated Indebtedness as may be provided in the Subordinated Indebtedness Trust Agreement securing such issue of Subordinated Indebtedness and may contain such other provisions as are not in conflict with the provisions of the Trust Agreement.

The Trustee shall not be deemed to owe any fiduciary duty to the holders of Subordinated Indebtedness and shall not be liable to such holders if it shall mistakenly pay over or transfer to Owners of Bonds, the Authority, or any other person, moneys to which any holder of Subordinated Indebtedness shall be entitled by virtue of this section of the Trust Agreement or otherwise, provided, however, that the Trustee shall not be relieved from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct. The Trustee shall not be deemed to have knowledge of the terms and conditions of any Subordinated Indebtedness Trust Agreement and may conclusively rely on written directions and requests signed by an Authorized Representative in making any deposit to or transfer from the Subordinated Indebtedness Fund. Notwithstanding any of the provisions of this section of the Trust Agreement or any other provision of the Trust Agreement, the Trustee shall not at any time be charged with the knowledge of the existence of any facts which would prohibit the making of any payment of moneys in respect of Subordinated Indebtedness or any default in the payment of the principal, premium, if any, or interest on any Subordinated Indebtedness, unless and until the Trustee shall have received written notice thereof at its principal corporate trust office from the Authority, or, so long as any Bonds remain Outstanding, from the holders of at least ten percent (10%) in principal amount of any class or category of any Subordinated Indebtedness or any trustee therefor.

#### **Redemption of Bonds**

##### Terms of Redemption

Each Series of Bonds may be made subject to mandatory or optional redemption prior to their respective stated maturities, as a whole or in part, at such time or times, upon such terms and conditions and upon such notice and with such effect as may be provided in the Supplemental Trust Agreement creating such Series of Bonds.

#### Selection of Bonds for Redemption

If less than all Outstanding Bonds of the same Series maturing by their terms on any one date are to be redeemed at any one time, the Trustee shall select the Bonds of such maturity date to be redeemed by lot and shall promptly notify the Authority in writing of the numbers of the Bonds so selected for redemption. For purposes of such selection, Bonds shall be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately redeemed. In the event Term Bonds are designated for redemption, the Authority may designate which sinking account payments are allocated to such redemption.

#### Notice of Redemption; Cancellation; Effect of Redemption

Unless otherwise specified in a Supplemental Trust Agreement, notice of redemption shall be mailed by first-class mail by the Trustee, not less than thirty (30) nor more than sixty (60) days prior to the redemption date to (i) the respective Bond Owners of the Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, (ii) the Securities Depositories and (iii) one or more Information Services. Notice of redemption to the Securities Depositories and the Information Services shall be given by registered mail or overnight delivery or facsimile transmission or by such other method acceptable to such institutions. Each notice of redemption shall state the date of such notice, the date of issue of the Bonds, the Series, the redemption date, the Redemption Price, the place or places of redemption (including the name and appropriate address of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the Bonds of such maturity, to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the redemption price thereof, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Failure to receive such notice or any defect in such notice shall not invalidate any of the proceedings taken in connection with such redemption.

The Authority may, at its option, prior to the date fixed for redemption in any notice of redemption rescind and cancel such notice of redemption by Written Request to the Trustee and the Trustee shall mail notice of such cancellation to the recipients of the notice of redemption being cancelled.

If notice of redemption has been duly given as aforesaid or as otherwise specified in a Supplemental Trust Agreement, and money for the payment of the redemption price of the Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice Bonds so called for redemption shall become due and payable, and from and after the date so designated interest on such Bonds shall cease to accrue, and the Bond Owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All Bonds redeemed pursuant to the provisions of the Trust Agreement concerning Redemption of Bonds shall be cancelled by the Trustee and shall be destroyed with a certificate of destruction furnished to the Authority upon its request and shall not be reissued.

#### **Establishment of Funds and Application Thereof Funds and Accounts**

The following Funds and Accounts are established under the Trust Agreement Municipal Bond Purchase Fund, held by the Trustee, Costs of Issuance Fund, held by the Trustee,

Revenue Fund including the Principal Account and Interest Account, held by the Trustee, Subordinated Indebtedness Fund, held by the Trustee, and Surplus Fund, held by the Authority.

Application of Revenues; Flow of Funds

All Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established under the Trust Agreement (other than amounts on deposit in the Rebate Fund created pursuant to the provision of the Trust Agreement concerning Tax Covenants and Rebate Fund) are thereby irrevocably pledged to the payment of the interest on and principal of the Bonds as provided therein, and the Revenues and other amounts pledged under the Trust Agreement shall not be used for any other purpose while any of the Bonds remain Outstanding; provided, however, that out of the Revenues and other moneys there may be applied such sums for such purposes as are permitted thereunder. This pledge shall constitute a pledge of and charge and lien upon the Revenues, which pledge of and charge and lien upon the Revenues is on a parity with any pledge of and charge and lien of Funded Debt, and all other moneys on deposit in the funds and accounts established thereunder (excluding amounts on deposit in the Rebate Fund created pursuant to the provisions of the Trust Agreement concerning Tax Covenants and Rebate Fund) for the payment of the interest on and principal of the Bonds in accordance with the terms thereof and of the Trust Agreement. The pledge of and charge and lien upon State Sales Tax Revenues, however, shall be subordinate to the bonds outstanding on the effective date of the Act secured by State Sales Tax Moneys and tax anticipation notes currently outstanding or subsequently issued pursuant to Section 63-3202, Idaho Code.

The Authority hereby assigns to the Trustee all of the Authority's right, title and interest in the Municipal Bonds as security for payment of the Bonds. All payments on the Municipal Bonds shall be paid directly by each Municipality to the Trustee. Moneys received by the Trustee attributable to a Municipality shall not be used in any manner (directly or indirectly) to make up any deficiency in repayment of any other Municipality's Municipal Bond.

In order to carry out and effectuate the pledge, charge and lien contained in the Trust Agreement, the Authority agrees and covenants that all Revenues and all other amounts pledged thereunder when and as received shall be received by the Authority in trust thereunder for the benefit of the Bond Owners and shall be transferred when and as received by the Authority to the Trustee for deposit in the Revenue Fund, which fund is hereby created and which fund the Authority hereby agrees and covenants to maintain in trust for Bond Owners so long as any Bonds shall be Outstanding thereunder, subject to allocation required in the next sentence. The Authority shall also, from Revenues, pay to the party entitled thereto or transfer or cause to be transferred to any applicable debt service or other payment fund or account for any Funded Debt, without preference or priority between transfers made pursuant to this sentence and the preceding sentence, on the dates specified in the issuing instrument relating to such Funded Debt, the sum or sums required to be paid or deposited in such debt service or other payment fund or account with respect to principal, premium, if any, and interest on Funded Debt in accordance with the terms of such Funded Debt.

Subject to the provisions of the Trust Agreement concerning Subordinated Indebtedness Fund, all Revenues and all other amounts pledged thereunder shall be accounted for through and held in trust in the Revenue Fund, and the Authority shall have no beneficial right or interest in any of the Revenues except only as therein provided. All Revenues and all other amounts pledged under the Trust Agreement, whether received by the Authority in trust or deposited with the Trustee as therein provided, shall nevertheless be allocated, applied and disbursed solely to the purposes and uses thereafter in the provisions of the Trust Agreement concerning Establishment of Funds and Application thereof set forth,

and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Authority.

Within the Revenue Fund there shall be established separate, segregated accounts for each Series of Bonds.

Establishment and Maintenance of Accounts for Use of Money in the Revenue Fund

All money in the Revenue Fund shall be set aside by the Trustee in the following respective special accounts or funds within the Revenue Fund (each of which is hereby created and each of which the Authority hereby covenants and agrees to cause to be maintained) in the following order of priority:

- (1) Interest Account, and
- (2) Principal Account.

All money in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes authorized in the provisions of the Trust Agreement concerning the Establishment of Funds and Application thereof.

Interest Account. At least fifteen (15) days before each Interest Payment Date, the Trustee shall set aside from the Revenue Fund and deposit in the Interest Account that amount of money sufficient to pay the amount of interest becoming due and payable on all Outstanding Bonds on the next succeeding Interest Payment Date.

No deposit need be made in the Interest Account if the amount contained therein and available to pay interest on the Bonds is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date.

All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

Principal Account. At least fifteen (15) days before each Principal Payment Date, the Trustee shall set aside from the Revenue Fund and deposit in the Principal Account an amount of money equal to the amount of all sinking fund payments required to be made on such Principal Payment Date, into the respective sinking fund accounts for all Outstanding Term Bonds and the principal amount of all Outstanding Serial Bonds maturing on such Principal Payment Date.

No deposit need be made in the Principal Account if the amount contained therein and available to pay principal of the Bonds is at least equal to the aggregate amount of the principal of all Outstanding Serial Bonds maturing by their terms on such Principal Payment Date plus the aggregate amount of all sinking fund payments required to be made on such Principal Payment Date for all Outstanding Term Bonds.

The Trustee shall establish and maintain within the Principal Account a separate subaccount for the Term Bonds of each maturity, designated as the "Sinking Account" (the "Sinking Account"), inserting therein the maturity (if more than one such account is established for the Bonds) designation of such Bonds. With respect to each Sinking Account, on each mandatory sinking account payment date established for such Sinking Account, the Trustee shall apply the mandatory sinking account payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of the maturity for which such Sinking Account was established, upon the notice and in the manner provided in the provisions of the Trust Agreement concerning Redemption of Bonds; provided

that, at any time prior to selection of Bonds for redemption, the Trustee may, upon the Written Request of the Authority, apply moneys in such Sinking Account to the purchase of Term Bonds of such maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account), as may be directed by the Authority, except that the purchase price (excluding accrued interest) shall not exceed the redemption price that would be payable for such Bonds upon redemption by application of such mandatory sinking account payment. If, during the twelve (12) month period immediately preceding said mandatory sinking account payment date, the Trustee has purchased Term Bonds of such maturity with moneys in such Sinking Account, such Bonds so purchased shall be applied, to the extent of the full principal amount thereof, to reduce said mandatory sinking account payment.

All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds as it shall become due and payable, whether at maturity or redemption, except that any money in any Sinking Account shall be used and withdrawn by the Trustee only to purchase or to redeem or to pay Term Bonds for which such Sinking Account was created.

The Trustee shall withdraw from the Revenue Fund and deposit in the Subordinated Indebtedness Fund the amount, if any, required to be deposited therein pursuant to each Subordinated Indebtedness Trust Agreement to pay the principal, redemption price, and purchase price of, and interest on, Subordinated Indebtedness which will accrue to the end of such month, and any amounts required to replenish any reserve fund with respect to such Subordinated Indebtedness, in such amounts as shall be specified in a written request signed by an Authorized Representative.

On June 30 of each year, after making the deposits to the Principal Account and the Subordinate Indebtedness Fund as required by this section of the Trust Agreement, the Trustee may withdraw from the Revenue Fund and deposit in the Surplus Fund the balance, if any, of moneys remaining in the Revenue Fund.

#### Subordinated Indebtedness Fund

Amounts in the Subordinated Indebtedness Fund shall, in accordance with written directions signed by an Authorized Representative, be transferred by the Trustee to the trustee or paying agent for Subordinated Indebtedness to be applied as provided in the applicable Subordinated Indebtedness Trust Agreement in amounts necessary to pay the principal, redemption price, and purchase price of, and interest on, Subordinated Indebtedness; and the fees and expenses of each trustee and paying agent under a Subordinated Indebtedness Trust Agreement. The Trustee may conclusively rely on such written directions of an Authorized Representative in making such transfer and shall not be charged with knowledge of the terms and conditions of any Subordinated Indebtedness.

If on any date the amount in the Revenue Fund shall be less than the requirement of such Revenue Fund pursuant to the provisions of the Trust Agreement concerning the Establishment of Funds and Application thereof, and there shall not be on deposit in the Surplus Fund available moneys sufficient to cure any such deficiency, then the Trustee, before making any transfers required by the first paragraph of this section of the Trust Agreement, shall withdraw from the Subordinated Indebtedness Fund and deposit in the Revenue Fund the amount necessary (or all the moneys in the Subordinated Indebtedness Fund, if less than the amount required) to make up any such deficiency.

#### Surplus Fund

If on any date the amount in the Revenue Fund shall be less than the requirement of such Fund pursuant to the provisions of the Trust Agreement concerning the Establishment and Maintenance

of Accounts for Use of Money in Revenue Fund, or the amount in the Subordinated Indebtedness Fund shall be less than the requirement of such Fund pursuant to the provisions of the Trust Agreement concerning Subordinated Indebtedness Fund, then the Authority shall transfer to the Trustee from the Surplus Fund; first to the Revenue Fund, second to the Subordinated Indebtedness Fund, and third to the Rebate Fund, as the case may be, the amount necessary (or all the moneys in the Surplus Fund if less than the amount necessary) to make up any such deficiency.

Amounts in the Surplus Fund not required to meet a deficiency as required in the first paragraph of this section of the Trust Agreement shall, upon a determination of the Authority, be applied to or set aside for any one or more of the following:

- (a) to reimburse the State for any State Sales Tax Revenues;
- (b) payment of any fees or expenses of the Authority;
- (c) the purchase or redemption of any Bonds, expenses in connection with the purchase or redemption of any Bonds, or the establishment or augmentation of any reserves which the Authority determines shall be required in connection with the Bonds;
- (d) payment into the Subordinated Indebtedness Fund;
- (e) the purchase or redemption of any Subordinated Indebtedness, expenses in connection with the purchase or redemption of any Subordinated Indebtedness, or the establishment or augmentation of any reserves which the Authority determines shall be required in connection with any Subordinated Indebtedness; and

(f) any lawful purpose free and clear of any trust, lien, pledge or assignment securing Bonds or otherwise existing under the Trust Agreement, including any use required by a financing document establishing a Parity Lien, so long as such expenditure does not affect the exclusion from gross income of the interest on the Bonds under Section 103 of the Code.

#### Additional Accounts

The Trustee and the Paying Agent may create such other funds, accounts and subaccounts as they may deem necessary to carry out their duties under the Trust Agreement.

#### State Intercept Procedures; Sales Tax Account Pledge

##### State Intercept Procedures

If, as a result of the failure of a Municipality to make payment on its Municipal Bonds in a timely manner, there are not sufficient funds available necessary to pay debt service on the Bonds, at least ten (10) days before the Payment Date of the Bonds, the Trustee shall notify the Authority and the State Treasurer by: (i) Telephone; (ii) a writing sent by facsimile transmission; and (iii) a writing sent by first-class United States mail.

Except for Bonds issued prior to July 1, 2008, where the Authority has, at the time of issuance, designated all or a portion of a series of the Bonds for one or more Municipalities as not subject to the intercept under Section 67-8728, Idaho Code, upon receipt of the notice provided in the first paragraph above, the State Treasurer is required by Section 67-8727(1)(e) of the Act to immediately intercept any payments from: (i) the receipts of any payment of property taxes; or (ii) sales tax moneys that would be distributed pursuant to Section 63-3638, Idaho Code; (iii) liquor revenues that would be distributed pursuant to Section 23-404, Idaho Code; or (iv) any other source of operating moneys provided by the State to the Municipality that issued the Municipal Bonds that would otherwise be paid to the Municipality by the State.

Except for Bonds issued prior to July 1, 2008, where the Authority has, at the time of issuance, designated all or a portion of a series of Bonds for one or more Municipalities as not subject to the intercept under Section 67-8728, Idaho Code, or if the State Treasurer will be unable to transfer sufficient intercepted payments for full payment of principal of and interest on the Bonds, the State Treasurer is required, pursuant to Section 67-8727(1)(e)(ii)(A) of the Act, to give notice to the State Tax Commission certifying the amount of the deficiency, at least five (5) days prior to the Payment Date of the Bonds.

Upon receipt of the funds, if any, from the State Treasurer pursuant to the second paragraph above, the Trustee shall deposit the funds in the Revenue Fund for the Bonds until there are sufficient amounts on deposit to pay principal of and interest on the Bonds on the Payment Date, and then to the State for reimbursement of any moneys transferred from the State sales tax account pursuant to Section 67-8716, Idaho Code, to pay debt service on the Bonds on the Payment Date, together with any interest or penalties established pursuant to Section 67-8725, Idaho Code.

#### Sales Tax Account

If the Authority has, at the time of issuance prior to July 1, 2008, designated all or a portion of a series of Bonds for one or more Municipalities as not subject to the intercept under Section 67-8728, Idaho Code, or if moneys expected to be intercepted pursuant to the provisions of the Trust Agreement concerning State Intercept Procedures are expected to be insufficient to reimburse the State for its payments in respect of the Municipal Bonds, the State Treasurer shall certify to and give notice to the State Tax Commission of the amount of the deficiency pursuant to the provisions of the Trust Agreement concerning State Intercept Procedures.

After receipt of the certified notice from the State Treasurer, the State Tax Commission shall pursuant to the Act: (i) Immediately fix the amount necessary and in the amount of the deficiency stated in the notice; and (ii) Cause moneys to be transferred from the State Sales Tax Account pursuant to Section 63-638, Idaho Code, and deposited in the Bond Bank Authority Fund; provided however, that in no event shall a transfer of moneys from the State Sales Tax Account impede or otherwise affect the payment of sales tax moneys pledged for the payment on other bonds outstanding on the effective date of the Act or subsequently issued as tax anticipation notes pursuant to Section 63-3202, Idaho Code.

Moneys transferred from the State Sales Tax Account to the Bond Bank Authority Fund shall be transferred by the Authority to the Trustee and deposited in the Revenue Fund and applied to pay principal of and interest on the Bonds pursuant to the provisions of the Trust Agreement concerning the Establishment and Maintenance of Accounts for Use of Money in the Revenue Fund.

#### Covenants of the Authority

##### Punctual Payment and Performance

The Authority will punctually pay out of the Revenues the interest on and principal of and redemption premiums, if any, to become due on every Bond issued under the Trust Agreement in strict conformity with the terms thereof and of the Bonds, and will faithfully observe and perform all the agreements and covenants to be observed or performed by the Authority contained therein and in the Bonds.

##### Against Encumbrances

The Authority will not make any pledge or assignment of or place any charge or lien upon the Revenues except as provided in the provisions of the Trust Agreement concerning Issuance of Bonds and Permitted Encumbrances therein, and will not issue any bonds, notes or obligations payable

from the Revenues or secured by a pledge of or charge or lien upon the Revenues except as provided therein.

#### Tax Covenants; Rebate Fund

In addition to the funds and accounts created pursuant to the provisions of the Trust Agreement concerning Funds and Accounts, the Trustee shall establish and maintain a fund separate from any other fund or account established and maintained thereunder designated as the Rebate Fund. There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate), for payment to the United States of America. Notwithstanding the provisions of the Trust Agreement concerning Application of Revenues and Flow of Funds relating to the pledges of Revenues, the allocation of money in the Revenue Fund, the investments of money in any fund or account and the defeasance of Outstanding Bonds, all amounts required to be deposited into or on deposit in the Rebate Fund shall be governed exclusively by this section of the Trust Agreement and by the Tax Certificate (which is incorporated in the Trust Agreement by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the written directions of the Authority, and shall have no liability or responsibility to enforce compliance by the Authority with the terms of the Tax Certificate.

Any funds remaining in the Rebate Fund with respect to a Series of Bonds after redemption and payment of all such Series of Bonds and all other amounts due under the Trust Agreement relating to such Series of Bonds, or provision made therefor satisfactory to the Trustee, including accrued interest and payment of any applicable fees and expenses of the Trustee and satisfaction of the Rebate Requirement (as defined in the Tax Certificate), shall be withdrawn by the Trustee and remitted to or upon the direction of the Authority.

The Authority shall not use or permit the use of any proceeds of the Bonds or any funds of the Authority, directly or indirectly, to acquire any securities or obligations, and shall not take or permit to be taken any other action or actions, which would cause any of the Bonds to be an "arbitrage bond" within the meaning of Section 148 of the Code, "private activity bond" within the meaning of Section 141(a) of the Code, or "federally guaranteed" within the meaning of Section 149(b) of the Code and any such applicable requirements promulgated from time to time thereunder and under Section 103(c) of the Internal Revenue Code of 1954, as amended. The Authority shall observe and not violate the requirements of Section 148 of the Code and any such applicable regulations. The Authority shall comply with all requirements of Sections 148 and 149(b) of the Code to the extent applicable to the Bonds. In the event that at any time the Authority is of the opinion that for purposes of this section of the Trust Agreement it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee under the Trust Agreement, the Authority shall so instruct the Trustee under the Trust Agreement in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

Authority and the Trustee (as directed by the Authority) specifically covenant to comply with the provisions and procedures of the Tax Certificate; provided that the Trustee shall not be bound by this covenant if an Event of Default has occurred and is continuing.

The Authority shall not use or permit the use of any proceeds of the Bonds or any funds of the Authority, directly or indirectly, in any manner, and shall not take or omit to take any action that would cause any of the Bonds to be treated as an obligation not described in Section 103(a) of the Code.

Notwithstanding any provisions of this section of the Trust Agreement, if the Authority shall provide to the Trustee an Opinion of Bond Counsel that any specified action required under this section of the Trust Agreement or the Tax Certificate is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Bonds, the Trustee and the Authority may conclusively rely on such opinion in complying with the requirements of this section of the Trust Agreement, and, notwithstanding the provisions of the Trust Agreement concerning the Trustee, the covenants under the Trust Agreement shall be deemed to be modified to that extent.

The foregoing provisions of this section of the Trust Agreement shall not be applicable to any Series of Bonds or the proceeds thereof that the Authority determines upon the issuance thereof are to be taxable bonds, the interest on which is intended to be included in the gross income of the Owner thereof for federal income tax purposes.

#### Accounting Records and Reports

The Authority will keep or cause to be kept proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of the Revenues, and such books shall be available for inspection by the Trustee at reasonable hours and under reasonable conditions. Not more than nine months after the close of each Fiscal Year, the Authority shall furnish or cause to be furnished to the Trustee a complete financial statement covering receipts, disbursements, allocation and application of Revenues for such Fiscal Year. The Authority shall also keep or cause to be kept such other information as required under the Tax Certificate.

#### Prosecution and Defense of Suits

The Authority will defend against every suit, action or proceeding at any time brought against the Trustee upon any claim to the extent arising out of the receipt, application or disbursement of any of the Revenues or to the extent involving the failure of the Authority to fulfill its obligations under the Trust Agreement; provided, that the Trustee or any affected Bond Owner at its election may appear in and defend any such suit, action or proceeding. The Authority will indemnify and hold harmless the Trustee against any and all liability claimed or asserted by any person to the extent arising out of such failure by the Authority, and will indemnify and hold harmless the Trustee against any reasonable attorney's fees or other reasonable expenses which it may incur in connection with any litigation to which it may become a party by reason of its actions under the Trust Agreement, except for any loss, cost, damage or expense resulting from the negligence or willful misconduct by the Trustee. Notwithstanding any contrary provision of the Trust Agreement, this covenant shall remain in full force and effect even though all Bonds secured thereby may have been fully paid and satisfied.

#### Further Assurances

Whenever and so often as reasonably requested to do so by the Trustee or any Bond Owner, the Authority will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Bond Owners all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by the Trust Agreement.

#### Covenants Regarding Municipal Bonds

Each Municipal Bond shall contain the following provisions:

(a) In the event the Municipality is unable to transfer the scheduled debt service payment on its Municipal Bond to the Trustee the Municipality shall, at least fifteen (15) days before the scheduled payment date, notify the Trustee and the State Treasurer of such non-payment by telephone, a writing sent by facsimile transmission, and a writing sent by first-class United States mail.

(b) Except where the Authority has, at the time of issuance, designated a series of the Bonds as not subject to the intercept under Section 67-8728, Idaho Code, the Municipality shall consent and agree to the State interpret procedures contained in Section 67-8727, Idaho Code.

#### Amendments to Municipal Bonds

The Authority shall not supplement, amend, modify or terminate any of the terms of the Municipal Bonds, or consent to any such supplement, amendment, modification or termination, without the prior written consent of the Trustee. The Trustee shall give such written consent if such supplement, amendment, modification or termination (a) will not materially adversely affect the interests of the Bond Owners or result in any material impairment of the security thereby given for the payment of the Bonds, (b) is to add to the agreements, conditions, covenants and terms required to be observed or performed thereunder by any party thereto, or to surrender any right or power therein reserved to the Authority, (c) is to cure, correct or supplement any ambiguous or defective provision contained therein, or (d) if the Trustee first obtains the written consent of the Bond Owners of a majority in principal amount of the Bonds then Outstanding to such supplement, amendment, modification or termination; provided, that no such supplement, amendment, modification or termination shall reduce the amount of payments to be made to the Authority or the Trustee by the Municipalities pursuant to the Municipal Bonds, or extend the time for making such payments, or permit the creation of any lien prior to or on a parity with the lien created by the Trust Agreement on the Municipal Bonds in each case without the written consent of all of the Bond Owners of the Bonds then Outstanding. The Trustee may consult with counsel, who may be counsel to the Authority, with regard to legal questions regarding such amendments and may rely on a written opinion of such counsel in making the determination pursuant to this section of the Trust Agreement.

#### State Pledges

Pursuant to Section 67-8724 of the Idaho Code, the State pledges and agrees with the Owners of the Bonds that it will not limit or alter the rights vested in the Authority by the Act to fulfill the terms of any agreements made with such Owners, or in any way impair the security, rights and remedies of the Owners of the Bonds until the Bonds, together with the interest thereon, are fully paid and discharged. The State pledges to and agrees with the Owners of the Bonds that the State will not alter, impair or limit the rights vested by the sales tax account pledge provided in Sections 67-8716 and 63-3638, Idaho Code, with respect to the Bonds until the Bonds, together with applicable interest, are fully paid and discharged.

#### Compliance with Continuing Disclosure Agreement

The Authority hereby covenants that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Trust Agreement, failure of the Authority to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee may (and, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Agreement) or the Bond Owners of at least 25 percent aggregate principal amount in Outstanding Bonds, and upon receipt of indemnification

