TAB	DESCRIPTION	ACTION
1	UNIVERSITY of IDAHO TKE Purchase/Sales Agreement	Motion to approve
2	UNIVERSITY of IDAHO ESCO Project Approval	Motion to approve
3	UNIVERSITY of IDAHO Bond Refinancing	Motion to approve
4	UNIVERSITY of IDAHO Wells Fargo Bank Loan Extension	Motion to approve
5	UNIVERSITY of IDAHO Naming/Memorializing of Buildings – McClure Center	Motion to approve
6	UNIVERSITY of IDAHO Retiree Health Benefits Trust	Motion to approve
7	UNIVERSITY of IDAHO Employee Insurance Policies	Information item
8	FY 2007 CARRYOVER FUNDS	Motion to approve
9	IDAHO PROMISE SCHOLARSHIP – CATEGORY B AWARD	Motion to approve
10	2009 BUDGET REQUEST REVISIONS Scholarships and Grants – Opportunity Scholarship	Motion to approve
11	2009 BUDGET REQUEST REVISIONS Office of the State Board of Education – Gear Up FTP	Motion to approve
12	IDAHO ENGLISH LANGUAGE ASSESSMENT	Information item

BAHR – SECTION II TOC Page i

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BAHR – SECTION II TOC Page ii

# INSTITUTION / AGENCY AGENDA UNIVERSITY OF IDAHO

#### **SUBJECT**

Sale of former fraternity house and ground lease of property to Idaho Alumni Association of Alpha Gamma Rho, Inc.

#### REFERENCE

December, 2004

Acquisition approved (page 2)

## APPLICABLE STATUTE, RULE, OR POLICY

Section 58-335, Idaho Code

Idaho State Board of Education Policies and Procedures, Section V.I.5.b.1 & 3.

## **BACKGROUND**

In 2005 the University of Idaho Board of Regents (Regents) acquired the former Tau Kappa Epsilon House on Nez Perce drive in Moscow for \$400,102. The acquisition of the vacated house was required by the terms of a 1962 "Site Agreement" between the Regents and the Tau Kappa lota Corporation. Since acquisition in 2005, the house has remained vacant and secured against unlawful entry. Major capital improvements are required to make the building useable for any purpose beyond storage.

#### DISCUSSION

The house sits amidst a series of Greek houses on Nez Perce Drive in an area that the University is committed to keep in student housing. The Alpha Gamma Rho Fraternity has proposed to acquire the existing building for \$400,000 under the terms of the attached purchase agreement. At the time of Regents' purchase the house was appraised at \$400,102. Since that time there have been no improvements made to the house.

Additionally, the Alpha Gamma Rho (which currently is leasing another private house near the UI Bookstore), is proposing to ground lease the 0.81 acres of land that the Regents has formerly leased to Tau Kappa lota. The attached site lease has been prepared to ensure that the fraternity will make substantial improvements to the building for purposes of student housing. The Regents are not obligated in the future to acquire the house, although its re-sale for uses other than student housing is prohibited without university consent. The ground lease effectively assigns operational and financial risks to the fraternity, and it recovers a rent fee that acknowledges the value of providing on campus housing for students, while compensating the University for those administrative costs associated with providing public property for private use.

# INSTITUTION / AGENCY AGENDA UNIVERSITY OF IDAHO - continued

## **IMPACT**

Aside from routine real estate transaction costs, disposal of the building will not impose costs on the University of Idaho and will allow the University to recoup all but \$100 of its purchase price, while saving the University the cost of the upkeep of the boarded building. The annual rent for the ground lease will be \$1,500 for the first 40 year term; if the option for the second 40 year term is exercised the annual rent will increase to \$2,500 for duration of that term. The high costs of remodeling and altering the building for university program or administrative use make university occupation impractical.

## **ATTACHMENTS**

Attachment 1 – Proposed Purchase and Sale Agreement Page 3
Attachment 2 – Proposed Ground Lease Page 19

## STAFF COMMENTS AND RECOMMENDATIONS

Staff inquired of the University whether an appraisal is available and whether the property has appreciated in value since 2005 even though it has been boarded up since its purchase. The University determined the market value of a mothballed fraternity house did not warrant a re-appraisal because the comparable sales and income approach used to reset value for such a property were not subject to much change during that time period.

Staff recommends approval.

#### **BOARD ACTION**

A motion to authorize the sale of former TKE house and ground lease of property to Idaho Alumni Association of Alpha Gamma Rho, Inc., and to authorize the University's Vice President for Finance and Administration to execute the purchase agreement and ground lease in substantial consistency with the drafts submitted as part of this request.

Moved by Seconded by Carried Yes No _	Moved by	Seconded by	Carried	Yes	No	
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## PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT ("Agreement") is entered into on \_\_\_\_\_\_\_, 2007, between The Board of Regents of the University of Idaho, a state educational institution and body politic and corporate organized and existing under the constitution and laws of the State of Idaho ("Seller") and The Idaho Alumni Association of Alpha Gamma Rho, Inc. an Idaho non-profit corporation ("Buyer").

#### 1. Purchase.

Seller shall sell and Buyer shall purchase all improvements and personal property (excluding any fire detection or security devices installed on the premises by or at the request of Buyer) on that certain real property located at 745 Nez Perce Drive, Moscow, Idaho ("Property"). Property is described as the real property improvements and personal property located at that certain parcel of land within the north half of Section 18, Township 39 North, Range 5 West, Boise Meridian, Latah County, Idaho, described as follows: Commencing at the center quarter corner of Section 18, Township 39 North, Range 5 West, BM, from which the south quarter corner of said Section 18 bears South 00°04'37" East, 2624.48 feet; Thence North 24°08'37" East, 69.38 feet to the Point of Beginning; Thence South 77°08'30" West 226.60 feet; Thence North 01°50'46" West, 202.42 feet to a point in the southerly curb along Nez Perce Drive; Thence 143.19 feet along said curb, being a curve to the left with a radius of 514.86 feet and a chord which bears North 80°12'26" East, 142.73 feet; Thence leaving Nez Perce Drive, South 26°13'40" East, 196.38 feet to the Point of Beginning. Property

does not include the land described above, only the real property improvements and personal property.

## 2. License For Entry.

Seller grants to Buyer a license to enter upon the Property for all purposes reasonably related to a full and adequate determination of the suitability of the Property, including, without limitation, the right to conduct evaluations, engineering studies, and environmental tests and audits.

#### 3. Purchase Price.

The purchase price of the Property is the sum of Four Hundred Thousand Dollars (\$400,000) ("Purchase Price").

## 4. Additional Terms and/or Conditions.

Notwithstanding anything to the contrary in this Agreement, Buyer shall not be obligated to purchase the Property unless at or prior to closing each of the following conditions has been met or Buyer has waived said condition in writing. Seller shall cooperate with Buyer to execute any documents necessary or convenient to the performance of these conditions:

(a) Buyer's satisfaction with the condition and marketability of title to Property. Seller agrees that a commitment for title insurance (including a commitment for Buyer's potential leasehold interest in the land) issued by a title insurance company authorized to do business in the State of Idaho may be ordered by Buyer at any time following execution of this Agreement. In the event the transaction terminates or otherwise does not close, Buyer shall be responsible for the payment of the premium or

cancellation fee for such commitment, unless Seller desires to utilize commitment for subsequent transaction. Seller agrees that from the date of execution of this Agreement through closing or the Termination Date, Seller will not permit, suffer, do, create or make any encumbrances, liens, reservations, or impediments of any kind that adversely affect Seller's right, title, or interest in and to the Property;

- (b) Completion to Buyer's satisfaction of such environmental assessment as Buyer may deem necessary and Buyer's approval of estimates for mitigation of any environmental or hazardous conditions on the Property and Buyer's acceptance of the physical and environmental condition of the Property. Buyer will bear the responsibility for test cost and replacing the Property to substantially the same condition prior to testing, reasonable wear and tear excepted. Before conducting any environmental tests on the Property, Buyer shall notify Seller and allow Seller to observe testing operations. Buyer shall make available to Seller copies of any and all environmental reports conducted by or for Buyer. Buyer shall not communicate with any governmental agency regarding the environmental condition of the Property without the prior consent of Seller. Seller agrees to provide Buyer all information regarding the condition of the land and buildings as is in Seller's possession or is reasonably available to Seller. Buyer acknowledges that Property and improvements constructed prior to 1978 may contain lead based paint or lead based paint hazards;
- **(c)** Buyer's satisfaction with the condition of the buildings and other improvements on the Property and their suitability for Buyer's intended purpose of operating a fraternity. Before conducting any building inspections, Buyer shall notify

Seller and allow Seller to observe the inspections. Any building inspection costs shall be the responsibility of Buyer;

- (d) Buyer's satisfaction as to the condition and availability of all utilities and services that may exist or are deemed necessary by Buyer to serve Property;
- **(e)** Buyer and Seller's execution of a ground lease for the parcel described in Section 1 of this Agreement. Such execution of the ground lease shall be simultaneous with execution of the purchase agreement, as Seller shall not be obligated to sell Property and Buyer shall not be obligated to purchase Property without simultaneous execution of a ground lease acceptable to both parties.

## 5. Escrow Holder.

Prior to closing, the parties shall open an escrow with Latah County Title Company, 106 E 2<sup>nd</sup> St, Moscow ID 83843 ("Escrow Holder"). Seller shall deposit into escrow a duly executed and acknowledged Quitclaim Deed ("Deed"), attached as Exhibit A, conveying all of Seller's right, title and interest in Property to Buyer, subject to any permitted exceptions, together with instructions to deliver and record the Deed when Escrow Holder is in a position to pay Purchase Price to Seller. Upon the date of execution of this Agreement, Buyer shall pay Seller earnest money in the sum of \$40,000 (Forty Thousand Dollars).

- **6.** Closing and Termination Date.
- (a) The payment of earnest money shall be applied to the Purchase Price at Closing. Subject only to the terms of this Agreement, said sum shall be fully refundable

from Seller to Buyer in the event the transaction contemplated fails to close. Seller shall deliver to the Escrow Holder on or before September 30, 2008, the Deed conveying all of Seller's right, title and interest in Property to Buyer, together with instructions to deliver and record the Deed when Buyer deposits the remaining balance of the Purchase Price (\$360,000) ("Balance") with the Escrow Holder. Prior to Closing, Buyer shall notify Seller and Escrow Holder, in writing that Buyer is satisfied with the conditions of Closing as set forth in Section 4 of this Agreement. Upon such notification that all of the conditions of Closing as set forth in Section 4 have been met, Buyer shall deposit Balance with the Escrow Holder with instructions to disburse Balance to Seller upon recordation of the Deed. Upon request of the Buyer, Seller shall provide Buyer with a bill of sale as evidence of the conveyance of Property from the Seller to Buyer. Closing shall be completed when the Deed to Buyer is recorded which shall be as soon as practicable after deposit of the Balance with the Escrow Holder. Possession passes to Buyer on closing.

**(b)** Termination of this Agreement for reasons other than Default as described in Section 14 of this Agreement shall occur upon (i) the mutual written consent of the Buyer and Seller, (ii) upon written notification by the Buyer to the Seller (which notice shall be given prior to June 30, 2008), that the terms and conditions of Section 4 of this Agreement have not been met to the satisfaction of the Buyer, or (iii) the Buyer has not submitted written notification of its satisfaction with the terms and conditions of Section 4 of this Agreement on or before June 30, 2008 (or at such other date as Buyer and Seller mutually agree), and/or Buyer has not deposited Balance with the Escrow Holder

on or before September 30, 2008 (or at such other date as Buyer and Seller mutually agree). In the instance of the Buyer failing to provide timely written notice to the Seller of Buyer's satisfaction or dissatisfaction with the terms and conditions of Section 4 of this Agreement, or Buyer fails to deposit Balance with the Escrow Holder by September 30, 2008 (or at such other date as Buyer and Seller mutually agree), Seller shall retain the earnest money provided in Section 5 of this Agreement and this Agreement shall be terminated. The date on which this occurs is the Termination Date. In the event the earnest money is retained by Seller pursuant to this paragraph, such remittance shall be deemed liquidated damages.

#### 7. Costs.

Buyer shall pay the cost of recording the Deed. Any escrow fees shall be paid equally by both parties. Buyer shall pay all other costs not specifically assigned to Seller in this Agreement.

## 8. Commissions.

Each party represents and warrants that it has not dealt with or contracted with any broker, agent or finder to act in their behalf in connection with this transaction. Each party agrees, subject to the laws of the State of Idaho, to indemnify, defend and hold harmless the other party from all Claims arising from any misrepresentation by the indemnifying party pursuant to this Section 8.

## 9. Seller's Representations And Warranties.

(a) Seller represents and warrants that Seller has authority to enter into this Agreement and to grant the license granted in Section 2.

**(b)** Seller represents and warrants that execution, delivery and performance of this Agreement and Deed have been duly authorized and approved by all actions necessary by Seller, on the part of Seller, and that the this Agreement and Deed constitute valid and binding agreements of Seller in accordance with their terms.

## 10. Casualty.

Should the Property be damaged or destroyed by fire or other casualty prior to the time of closing, Buyer, at Buyer's sole option, may terminate Buyer's obligation to purchase the Property by giving written notice to Seller at any time prior to the time of closing. Seller agrees to maintain Property in its current condition, reasonable wear and tear for a vacant building excepted, through and including the day of closing.

## 11. Condemnation.

Should any entity having the power of condemnation bring an action or otherwise indicate an intent prior to the time of closing to acquire all or any portion of, or any interest in, the Property, Buyer, at Buyer's sole option, may elect to terminate Buyer's obligation to purchase the Property by giving written notice to Seller at any time prior to the time of closing. Seller agrees to provide Buyer, within ten (10) days after Seller's receipt of same but in no event later than the time of closing, written notice of any actual or threatened condemnation proceeding.

## 12. Successors.

This Agreement shall be binding on the heirs, successors, assigns and personal representatives of the parties hereto.

## 13. Attorneys' Fees.

In the event either party initiates or defends any legal action or proceeding in any way connected with this Agreement, the prevailing party in any such action or proceeding (in addition to any other relief which may be granted, whether legal or equitable), shall be entitled to recover from the losing party in any such action its reasonable costs and attorneys' fees (including, without limitation, its reasonable costs and attorneys' fees on any appeal). All such costs and attorneys' fees shall be deemed to have accrued on commencement of any legal action or proceeding and shall be enforceable whether or not such legal action or proceeding is prosecuted to judgment.

## 14. Default.

- (a) Neither party shall be deemed to be in default of this Agreement except upon the expiration of thirty (30) days from receipt of written notice from the other party specifying the particulars in which such party has failed to perform its obligations (or breached any of its representations or warranties) under this Agreement unless such party, prior to expiration of said thirty (30) day period, has rectified the particulars specified in said notice of default.
  - **(b)** In the event of a default, the nondefaulting party may:
  - (i) Terminate this Agreement upon written notice to the defaulting party, and recover from the defaulting party all damages incurred by the nondefaulting party;

**ATTACHMENT 1** 

(ii) Seek specific performance of this Agreement, and, in

addition, recover all damages incurred by the nondefaulting party. The parties

declare it to be their intent that this Agreement may be specifically enforced;

(iii) Perform or pay any obligation or encumbrance necessary to

cure the default and offset the cost thereof from monies otherwise due the

defaulting party or recover said monies from the defaulting party; and

(iv) Pursue all other remedies available at law, it being the intent

of the parties that remedies be cumulative and liberally enforced so as to

adequately and completely compensate the nondefaulting party.

15. Notices.

(a) All notices given pursuant to this Agreement shall be in writing and

shall be given by personal service, by United States mail or by United States express

mail or other established express delivery service (such as Federal Express), postage

or delivery charge prepaid, return receipt requested, addressed to the appropriate party

at the address set forth below:

Seller: Lloyd E Mues

Vice President for Finance Administration

University of Idaho PO Box 443168

Moscow ID 83844-3168

Buyer: Idaho Alumni Assoc of Alpha Gamma Rho, Inc.

PO Box 3472

Moscow ID 83843

The person and address to which notices are to be given may be changed at any time by any party upon written notice to the other party. All notices given pursuant to this Agreement shall be deemed given upon receipt.

(b) For the purpose of this Agreement, the term "receipt" shall mean the earlier of any of the following: (i) the date of delivery of the notice or other document to the address specified pursuant to subparagraph (a) above as shown on the return receipt, (ii) the date of actual receipt of the notice or other document by the person or entity specified pursuant to subparagraph (a) above, or (iii) in the case of refusal to accept delivery or inability to deliver the notice or other document, the earlier of (A) the date of the attempted delivery or refusal to accept delivery, (B) the date of the postmark on the return receipt, or (C) the date of receipt of notice of refusal or notice of nondelivery by the sending party.

## 16. Captions And Headings.

The captions and headings in this Agreement are for reference only and shall not be deemed to define or limit the scope or intent of any of the terms, covenants, conditions or agreements contained herein.

## 17. Entire Agreement.

This Agreement contains the entire agreement between the parties hereto and supersedes all prior agreements, oral or written, with respect to the subject matter hereof. The provisions of this Agreement shall be construed as a whole and not strictly for or against any party.

## 18. Construction.

In construing the provisions of this Agreement and whenever the context so requires, the use of a gender shall include all other genders, the use of the singular shall include the plural, and the use of the plural shall include the singular.

## 19. Joint And Several Obligations.

In the event any party hereto is composed of more than one person, the obligations of said party shall be joint and several.

## 20. Counterparts.

This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which shall constitute a single instrument, and shall be effective upon execution of one or more of such counterparts by each of the parties hereto.

## 21. Time Period Computation.

All time periods in this Agreement shall be deemed to refer to calendar days unless the time period specifically references business days; provided that if the last date on which to perform any act or give any notice under this Agreement shall fall on a Saturday, Sunday or local, state or national holiday, such act or notice shall be deemed timely if performed or given on the next succeeding business day.

## 22. Survival.

All of the representations and warranties set forth in this Agreement shall constitute continuing representations and warranties, shall be deemed to be true and correct as of the date of closing of Buyer's purchase of the Property from Seller, and

ATTACHMENT 1

shall (along with all indemnification, defense and hold harmless obligations related thereto) survive the closing of Buyer's purchase of the Property from Seller.

## 23. No Third Party Beneficiary Rights.

This Contract is not intended to create, nor shall it in any way be interpreted or construed to create, any third party beneficiary rights in any person not a party hereto unless otherwise expressly provided herein.

EXECUTED as of the date first above written.

BUYER:	SELLER:
Idaho Alumni Association of Alpha Gamma Rho, Inc.	Board of Regents of the University of Idaho
President, Alpha Gamma Rho	Lloyd E. Mues Vice President, Finance & Administration

## **ATTACHMENT 1**

## List of Exhibits

Exhibit "A" - Quitclaim Deed

## **QUITCLAIM DEED**

THIS QUITCLAIM DEED made this day of	, 2008, between
THE BOARD OF REGENTS OF THE UNIVERSITY OF IDAHO,	a body politic and
corporate organized and existing under the laws and Constitution of	the State of Idaho,
whose address is Moscow, Idaho 83844-3168, herein referred to	as "Grantor," and
IDAHO ALUMNI ASSOCIATION OF ALPHA GAMMA RHO, INC.,	an Idaho non-profit
corporation herein referred to as "Grantee":	·

That Grantor, for good and valuable consideration, the receipt whereof is hereby acknowledged, does hereby REMISE, RELEASE, and QUITCLAIM, unto Grantee and its successors and assigns forever, all of Grantor's right title, and interest in and to the real property improvements and personal property located within the north half of Section 18, Township 39 North, Range 5 West, Boise Meridian, Latah County, Idaho described as follows:

**Commencing** at the center quarter corner of section 18, Township 39 North, Range 5 West, BM, from which the south quarter corner of said section 18 bears South 00°04'37" East, 2624.48 feet; Thence North 24°08'37" East, 69.38 feet to the **Point of Beginning**; Thence South 77°08'30" West, 226.60 feet; Thence North 01°50'46" West, 202.42 feet to a point in the southerly curb along Nez Perce Drive; Thence 143.19 feet along said curb, being a curve to the left with a radius of 514.86 feet and a chord which bears North 80°12'26" East, 142.73 feet; Thence leaving Nez Perce Drive, South 26°13'40" East, 196.38 feet to the **Point of Beginning**. Property does not include the land described above, only the real property improvements and personal property.

Together with all estate, right, title, interest, property, possession, claim and demand whatsoever, as well as in law as in equity of the Grantor in or to the said property, and all and singular the tenements, hereditaments, and appurtenances thereunto belonging.

IN WITNESS WHEREOF, Grantor has hereunto set its hand on the day and year first above written.

GRANTOR:	Board of Regents of the University of Idah	
	By:	
	Lloyd E. Mues, Vice President,	
	Finance & Administration	
	University of Idaho	

STATE OF IDAHO	)
	) ss.
County of Latah	)
On this day of	, 2008, before me, the undersigned, a
Notary Public in and for said	state, personally appeared Lloyd E. Mues, known to me to
be the Vice President for F	nance & Administration of the University of Idaho, the
-	nstrument, and acknowledged to me that he executed the Board of Regents of the University of Idaho.
IN WITNESS WHERE seal the day and year in this o	OF, I have hereunto set my hand and affixed my officia ertificate first above written.
	Notary Public for Idaho
	Residing at
	My Commission Expires:

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## **GROUND LEASE**

THIS GROUND LEASE ("Ground Lease") is made as of the \_\_\_\_\_ day of \_\_\_\_\_, 2008, by and between Idaho Alumni Association of Alpha Gamma Rho, Inc., an Idaho non-profit corporation, and The Board of Regents of the University of Idaho, a state educational institution and body politic and corporate organized and existing under the constitution and laws of the state of Idaho.

- 1. **Definitions.** The following terms as used in this Ground Lease shall have the meanings hereinafter set forth:
- **1.1 "Landlord":** The Board of Regents of the University of Idaho, a state educational institution and body politic and corporate organized and existing under the constitution and laws of the State of Idaho.
- 1.2 "Leased Premises": That certain real property located in the City of Moscow, County of Latah, State of Idaho, as more particularly described in Schedule I attached hereto and incorporated herein by this reference together with all buildings and improvements, except those buildings and improvements owned by Tenant, located thereon and all easements, rights and appurtenances thereto.
- **1.3 "Lienholder":** Any mortgagee under a mortgage, trustee or beneficiary under a deed of trust, or other secured party under any other form of financing constituting a lien on the Leased Premises.
- **1.4 "Tenant":** Idaho Alumni Association of Alpha Gamma Rho, Inc., an Idaho non-profit corporation.
  - 2. Term.

- **2.1 Initial Term:** Landlord leases and Tenant rents the Leased Premises for a term of forty (40) consecutive years commencing on July 1, 2008, and terminating on June 30, 2048.
- 2.2 Option Term: Upon Tenant's submission to Landlord of plans for remodeling, alteration, and improvement of Tenant's building (as such submission and approval are provided for in Section 5.2 of this Ground Lease), and upon written request to Landlord to exercise the option provided in this section, Tenant shall have one option to extend the term of this Ground Lease to June 30, 2088. However, to be eligible for such option term, the proposed remodeling, alteration, and improvement of Tenant's building shall be of sufficient magnitude to extend the useful life of Tenant's building for a corresponding period. In the event Landlord concludes the submitted remodeling, alteration, or improvement plans for Tenant's building are insufficient to demonstrate the proposed work will effectively extend the useful life of the building for the corresponding option period, Landlord shall identify its concerns relating to the insufficiency of those plans in writing and submit those written concerns to Tenant shall then provide Landlord with its plans to address Landlord's Tenant. concerns. All plans will be evaluated in accordance with the procedures in Section 5.2 of this Ground Lease and the standard established in this Section 2.2. Tenant shall not be eligible for such option, except for work (which may be completed in phases) performed after July 1, 2028 and prior to termination of Initial Term.
- 2.3 Tenant's Early Termination Option: Upon at least one year's prior notice to Landlord, Tenant may at any time during the Initial or Option Term terminate this Ground Lease, so long as Leased Premises and any existing improvements on

Leased Premises are surrendered to Landlord in a condition free of any liens, conditions or encumbrances at the time of early termination. Surrender of Tenant's property interests to Landlord by this early termination option shall be subject to Section 16.2 of this Ground Lease.

#### 3. Rent.

**3.1 Amount.** Tenant shall pay during the Initial Term of this Ground Lease from and after July 1, 2008 an annual rent in the amount of One Thousand Five Hundred Dollars (\$1500) per year and, in the event Tenant exercises its Option Term as provided in Section 2.2 of this Lease, the amount of Two Thousand Five Hundred Dollars (\$2500) per year during that Option Term ("**Annual Rent**"). Any other amounts due and payable to Landlord from Tenant under this Ground Lease shall be considered rent.

3.2 Delivery and Date of Rent Payments. Annual Rent to Landlord shall be made payable to "Bursar, University of Idaho", and mailed to the attention of "Budget Office, University of Idaho, Moscow ID 83844-3156" or such different address as Landlord shall provide to Tenant by written notice. The initial Annual Rent shall be payable and received on or before July 1, 2008, and each subsequent years' Annual Rent shall be payable and received on or before July 1 of each subsequent year during the terms of this Ground Lease.

4. Tenant's Use. Tenant may only use the Leased Premises for the housing of and related services to students enrolled, intending to enroll in the next enrollment period, or planning to continue a course of study beginning as of the next enrollment period at the University of Idaho and which are active members of the Alpha Gamma

Rho Fraternity. Notwithstanding the foregoing sentence, house directors, resident advisors, caretakers, janitors, and other personnel of a character and number necessarily and customarily involved in the housing of students shall be permitted to occupy the Leased Premises. No tents, trailers, or shacks shall be permitted on the Leased Premises. Parking shall only be permitted on the Leased Premises in parking areas developed with, and accessible from, paved surfaces of asphalt or concrete. Parking desired by Tenant's occupants or other personnel that is off the Leased Premises, but on adjoining UI property and nearby public or private streets shall permitted in accordance with the Landlord's "Campus Parking Regulations" as they exist at the time of Ground Lease and as those regulations may be amended from time to time. After remodeling of the student housing building as described in Section 5.1 (Remodeling) and issuance of a "certificate of occupancy" therefore, Tenant shall operate the Leased Premises for the housing of University of Idaho students and active members of Alpha Gamma Rho Fraternity and shall not permit the Leased Premises to be vacated or abandoned, except during university observed holidays or breaks, university closures and cessations of use caused by casualty, condemnation or remodel. Furthermore, Tenant shall use its best efforts to rent one-hundred percent (100%) of the rooms designated for housing to active members of the Alpha Gamma Rho Fraternity on the Leased Premises during all periods of operation. Failure to have at least twenty members residing on the premises at any given time during spring or fall academic sessions (except in instances of casualty, condemnation or approved remodel or reconstruction requiring temporary cessation of use), may be deemed a Default and subject to the provisions of Article 14 (Default) of this Ground Lease.

## 5. Remodeling, Alterations and Improvements.

**5.1 Initial Remodeling.** Tenant, at Tenant's sole cost and expense, shall commence initial remodeling of the Tenant's building on the Leased Premises, according to plans and specifications approved by Landlord (pursuant to Section 5.2 below), on or before September 30, 2008. The Tenant's building shall receive a certificate of occupancy for use as multi-tenant housing from the City of Moscow by no later than August 1, 2009.

**5.2 Approval Procedure.** Before any construction, alteration (including, without limitation, color changes and landscaping) or improvement (including, without limitation parking areas and signs; provided that temporary signs and decorations associated with special events of the students shall be permitted without Landlord's approval) to any building, structure, grounds or any other improvement on or to be located on the Leased Premises is commenced, Tenant shall obtain Landlord's prior written approval from the respective directors of University of Idaho Facilities' Architectural and Engineering Services and, if applicable, Information Technology Services (or functional equivalent of either at the time of construction, alteration or improvement planning). Such approval shall not be unreasonably withheld. Tenant and Landlord hereby agree that Landlord may reasonably withhold approval of any proposed construction, alteration or improvement in order to preserve the architectural character of the campus and neighborhood located on Landlord's nearby property, and that it is reasonable for the Landlord to withhold approval for construction and alterations that are inconsistent with the architectural style existing in similarly used buildings in the neighborhood at the time of Tenant's submission. It shall not be

reasonable for Landlord to withhold approval in order to initiate an architectural style not existing in similarly used buildings in the neighborhood at the time of Tenant's submission. When obtaining Landlord's approval, sufficient information shall be sent to Landlord to enable Landlord to make a reasonable decision as to the proposal. Failure of Tenant to receive approval from University of Idaho's Information Technology Services ("ITS"), shall not singularly constitute Landlord's denial of approval to proposed construction, so long as Tenant acknowledges in writing to Landlord that Tenant's failure to receive approval from ITS may result in ITS functions being unavailable for Tenant's improvements to Leased Premises and that certain standards, as specified by ITS, may be required for any installation of information technology infrastructure.

5.3 Diligent Completion. Once any construction, alteration or improvement is commenced, the same shall be continuously and diligently pursued to completion.

Mortgage), Tenant shall keep the Leased Premises free from any liens arising out of any work performed, materials furnished or obligations incurred by or for Tenant or to the Leased Premises. Any work performed, materials furnished or obligations incurred shall be at Tenant's sole request and not at the instance of or as agent for Landlord. Tenant shall, within thirty (30) days after any lien is recorded against the Leased Premises, cause such lien or claim of lien to be released of record or transferred to bond in accordance with Idaho law. If Tenant fails to cause such lien or claim of lien to be released of record or transferred to be released of record or transferred to bond, Landlord shall have the right, at Tenant's expense, to transfer said lien to bond.

shall require all contractors and subcontractors to comply with all applicable federal, state and local laws, rules and regulations when performing any work on or delivering materials for the construction of any building, structure or improvement on or serving the Leased Premises, including but not limited to any construction during Initial Remodeling. All construction shall comply with all applicable federal, state and local laws, rules and regulations and shall comply with the Landlord's design standards as determined by the University of Idaho Facilities' Architectural and Engineering Services. In the event Tenant intends to be eligible for connection to Landlord's telecommunications and network infrastructure, Tenant shall also comply with Landlord's relevant infrastructure standards as defined by ITS at the time of construction. All construction staging shall occur on the Leased Premises, unless a separate license agreement is granted by Landlord specifying the precise location that staging may occur on the Landlord's nearby property.

#### 6. Maintenance and Restoration of the Leased Premises.

6.1 Maintenance and Repair by Tenant. Tenant shall, at Tenant's sole cost and expense, maintain, repair and replace (except as otherwise permitted in Sections 6.3) as necessary in good working condition, reasonable wear and tear excepted, all buildings, structures, and improvements (including but not limited to parking areas) on the Leased Premises and maintain, repair and replace as necessary all above and below ground utilities, exclusively serving Tenant's property on the Leased Premises and the extension from the Tenant's property on the Leased Premises to such utility's connection at the main line serving the Tenant's property. Tenant shall

keep and maintain the Leased Premises in a clean and attractive condition. Tenant shall regularly sweep all paved surfaces and keep the same free of snow and ice. All landscaping on the Leased Premises shall be regularly watered and maintained (including replacement of dead or damaged plants) and Tenant shall replace and maintain such landscaping so as to enhance the overall appearance of the surrounding neighborhood. Any planned changes to landscaping beyond maintenance and replacement of existing plants or materials with the same species or materials, shall be submitted in writing for approval to the Director of the University of Idaho Landscape and Exterior Services (or functional equivalent at the time of the proposed landscaping).

6.2 Maintenance and Repair by Landlord. Landlord shall not be responsible for any maintenance, repair or replacement of any building, structure, landscaping, or improvement (including, without limitation, any utility) on the Leased Premises unless such maintenance, repair or replacement is required because of the willful or negligent act or omission of Landlord. Landlord has no obligation to provide fire or police protection for the Leased Premises. In the event Tenant shall fail to complete its obligations under Section 6.1 (Maintenance and Repair by Tenant), after notice and an opportunity to cure as provided for in Article 14 (Default), Landlord may perform the same at Tenant's expense and Tenant shall reimburse Landlord for all costs incurred by Landlord within fifteen (15) days after receipt of an invoice for the expenses.

#### 6.3 Restoration.

(a) In the event any building on the Leased Premises is materially damaged or destroyed by fire or other casualty, Tenant may terminate this Ground

Lease by delivering written notice to Landlord within thirty (30) days after the occurrence of such casualty. This Ground Lease shall terminate once Tenant has removed the improvements on the Leased Premises, capped all utilities exclusively serving Tenant's property, graded the Leased Premises in such a manner that drainage from the Leased Premises does not adversely affect the surrounding properties, installed an automatic sprinkler system for that portion of the Leased Premises formerly occupied by Tenant's property and which is equivalent to and ties in with Landlord's sprinkler system for the remainder of the Leased Premises, and covered that portion of the Leased Premises formerly occupied by Tenant's property with sod of an equivalent type used by Landlord on the remaining portion of the leased premises (hydro-seeding shall not be permitted). Tenant shall complete its obligation set forth in the preceding sentence within sixty (60) days after Tenant has delivered the lease termination to Landlord. In the event Tenant should fail to complete those obligations within such sixty (60) day period, Landlord may perform such obligations at Tenant's expense. In the event Landlord incurs any expenses in performing such obligations, Landlord, in Landlord's sole discretion, shall be entitled to so much of the insurance proceeds payable on account of such casualty as is necessary to reimburse Landlord for Landlord's expenses, and/or to receive payment directly from Tenant if the casualty is caused by an uninsured event.

(b) In the event Tenant does not elect to terminate this Ground Lease after any building on the Leased Premises is materially damaged or destroyed by fire or other casualty, this Ground Lease shall continue in full force and effect, without abatement in Annual Rent, and Tenant shall pursue repair or restoration of the casualty within forty-five (45) days after the casualty, subject to Landlord's approval pursuant to

Section 5.2 (Approval Procedure), and shall thereafter diligently pursue the repair or restoration to completion. Any repair or restoration made by Tenant shall return the building to a similar or improved size, function and quality as existed prior to the casualty unless otherwise approved by Landlord in writing.

#### 7. Landlord's Title.

7.1 Fee Title. Landlord covenants that Landlord is the holder of fee simple title to the Leased Premises and that Landlord has full right and authority to enter into this Ground Lease.

**7.2 Quiet Enjoyment.** Landlord covenants that so long as Tenant is not in default under this Ground Lease, Tenant shall have quiet and peaceful possession of the Leased Premises without unreasonable interference from Landlord.

7.3 Delivery of Leased Premises. Prior to this Ground Lease, Landlord has given Tenant ample opportunity to inspect and test the condition of the Leased Premises. Therefore, Tenant takes possession of the Leased Premises in its "AS-IS" condition with all faults, including both latent and patent defects, and Tenant releases Landlord from any and all liability to Tenant relating to any aspect or condition of the Leased Premises, known or unknown, foreseeable or unforeseeable, actual or contingent, arising by statute, common law or otherwise. EXCEPT AS OTHERWISE EXPRESSLY SET FORTH HEREIN, LANDLORD AND LANDLORD'S AGENTS ARE NOT MAKING, HAVE NOT MADE AND EXPRESSLY DISCLAIM ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO ANY ASPECT, FEATURE OR CONDITION OF THE LEASED PREMISES INCLUDING, WITHOUT LIMITATION, THE EXISTENCE OF HAZARDOUS WASTE,

OR THE SUITABILITY OF LEASED PREMISES FOR TENANT'S INTENDED USE. TENANT IS RELYING SOLELY UPON TENANT'S INSPECTIONS AS TO THE CONDITION OF LEASED PREMISES. However, Landlord will make available for Tenant those reports, data and inspections Landlord is aware of related to the purposes of this section and which are in the possession of the Landlord's Real Estate Office at the time of Landlord's signature to this Ground Lease.

7.4 Landlord's Reservations. At Landlord's sole expense, or as separately agreed to by the affected parties, Landlord reserves the right to install public or private utilities, communication lines and cables and any other services for the benefit of Landlord or Landlord's surrounding properties on, over, under or through those portions of the Leased Premises dedicated for public utility lines or otherwise not covered by any building or structure; provided that the installation, operation, repair and replacement of such services does not unreasonably interfere with Tenant's use of the Leased Premises and Landlord repairs any damage done to the Leased Premises caused by the installation, operation, repair and replacement of such services. Landlord reserves the rights-of-way for all utilities communication lines and cables and any other services currently existing on, over, under or through the Leased Premises.

8. Taxes and Assessments. At the present time, because of Landlord's tax status, there are no taxes levied against the Leased Premises. Should property taxes be levied or assessed against the Leased Premises, Tenant agrees to pay prior to delinquency all taxes and assessments, if any, levied or assessed against the Leased Premises or Tenant's personal property thereon during the term of this Ground Lease. In the event any taxes or assessments levied or assessed against the Leased Premises

during the term of this Ground Lease may be legally paid in installments, Tenant may pay such taxes or assessments in installments.

9. Utilities. Tenant agrees to pay all charges for electricity, gas, heat, sewer, water, telecommunication infrastructure system, television cable, waste disposal and all other utility services provided for the exclusive use of the Leased Premises during the term of this Ground Lease. Landlord shall not be liable for any interruption in utilities furnished to the Leased Premises, nor does Landlord warrant that any of the utilities mentioned above are available from various utility providers including the Landlord. In the event Landlord provides such services, Tenant shall make separate arrangements with the appropriate university service department and shall pay separately for such services as directed by that department. These service charges are not included in Annual Rent and provision of services is not an obligation of Landlord under the terms of this Ground Lease.

#### 10. Indemnification and Insurance.

10.1Tenant's Indemnity. Tenant hereby waives as to Landlord, releases Landlord and agrees to indemnify, defend and hold harmless Landlord from and against any and all liability, claims, damages, expenses (including attorneys' fees and attorneys' fees on any appeal), judgments, proceedings and causes of action, for injury to or death of any person or damage to or destruction of any property occurring on the Leased Premises during Tenant's tenancy or arising out of Tenant's use or occupancy of the Leased Premises unless caused by a willful or negligent act taken by Landlord on the property.

10.2Liability Insurance. Tenant, at Tenant's sole cost and expense, shall provide and maintain commercial general liability insurance (Occurrence Basis) with broad form coverage endorsement covering its obligations under this Article 10 and insuring it against claims for personal injury, bodily injury or death, and property damage or destruction. Such insurance shall be written with an insurer licensed to do business in the state of Idaho, shall name Landlord as additional insured on ISO Form CG 2026 1185, and contain a waiver of subrogation endorsement in favor of Landlord. The initial limits of liability of all such insurance shall be not less than \$1,000,000 for personal injury or bodily injury or death of any one person, \$1,000,000 for personal injury or bodily injury or death of more than one person in one occurrence and \$500,000 with respect to damage to or destruction of property; or, in lieu of such coverage, a combined single limit (covering personal injury, bodily injury or death and property damage or destruction) with a limit of not less than \$2,000,000 per occurrence.

10.3Property Insurance. Tenant, at Tenant's sole cost and expense, shall purchase and maintain Causes of Loss-Special Form (formerly "all risk") Property Insurance (including demolition and increased cost of construction) insuring one hundred percent (100%) of the replacement cost of all improvements, buildings, structures, furniture, fixtures, and equipment located on the Leased Premises. The insurance shall name Landlord as a loss payee, as Landlord's interests may appear under the terms of this Ground Lease, and contain a waiver of subrogation in favor of Landlord.

**10.4Workers' Compensation Insurance.** Tenant, at Tenant's sole cost and expense, shall carry Workers' Compensation Insurance as required by Idaho law. No "alternative" forms or self insurance coverage will be allowed.

10.5Auto Insurance. For any Vehicles owned by Tenant, Tenant, at Tenant's sole cost and expense, shall carry Commercial Business Automobile Liability Insurance (Occurrence Basis) with a \$1,000,000 combined single limit coverage. Such insurance shall be endorsed with a waiver of subrogation endorsement in favor of Landlord and include coverage for hired and non-owned vehicles and owned vehicles.

10.6Insurance Requirements. For all insurance which Tenant is required to maintain hereunder, Tenant shall furnish Landlord with certificates evidencing the insurance. All policies shall be obtained from an insurer licensed to do business in the State of Idaho, with a Best's Rating of "A" or higher and a Financial Size Category of "VIII" or higher. The policies of insurance shall provide that the insurance represented by the certificates shall not be cancelled, materially changed or nonrenewed without the giving of thirty (30) days' prior written notice to the holders of the insurance and the holders of the certificates. No policy will contain a deductible or self-insured retention in excess of \$10,000 without Landlord's prior written approval. If requested by Landlord, Tenant will promptly deliver to Landlord a certified copy of any insurance policies required by this Lease. If the forms of policies, endorsement, certificates, or evidence of insurance required by this Article 10 are superseded or no longer available or the rating service of insurers is no longer available or modified, Landlord will have the right to require other equivalent or better forms. Furthermore,

Landlord shall have the right to adjust the dollar amounts required by this Article 10 from time to time in a reasonable manner. Failure of Landlord to demand such certificate or other evidence of full compliance with these insurance requirements or failure of Landlord to identify a deficiency from evidence that is provided shall not be construed as a waiver of Tenant's obligation to maintain such insurance. By requiring insurance herein, Landlord does not represent that coverage and limits will necessarily be adequate to protect Tenant, and such coverage and limits shall not be deemed as a limitation on Tenant's liability under the indemnities granted to Landlord in this Ground Lease.

**10.7Noncontribution.** The insurance carried by Tenant hereunder shall be primary and not contributory with any other insurance that is maintained by Landlord.

**10.8Blanket Policy.** All insurance which Tenant is required to maintain hereunder may be provided under a blanket policy provided such policy otherwise complies with the requirements of this Ground Lease and is endorsed with an Aggregate Limits of Insurance (Per Location) endorsement.

10.9 Net Worth. Tenant agrees to maintain a net worth of at least Two Hundred Fifty Thousand Dollars (\$250,000) during the term of this Ground Lease, but such net worth shall in no way limit Tenant's liabilities under this Ground Lease. Such net worth may be obtained through a letter of credit, provided that the letter of credit is not cancelled or materially modified without thirty (30) days prior written notice to Landlord. Tenant's net worth shall be determined in accordance with generally accepted accounting principles, based on Tenant's most current balance sheet, which

balance sheet shall be based on information not older than Tenant's prior fiscal year. On or before May 1 of each year during the term of this Ground Lease, Tenant shall provide Landlord with a statement certified to Landlord by Tenant's certified public accountant showing Tenant's current net worth. Except as required by applicable disclosure requirements, Landlord shall keep such statement confidential.

#### 11. Condemnation.

**11.1Termination Right.** In the event of a taking of, or damage to, any portion of, interest in or access to the Leased Premises, or any easements, rights or appurtenances thereto by eminent domain or any transfer in lieu thereof or by any other governmental action, which taking or damage materially and adversely affects Tenant's use of the Leased Premises, Tenant may terminate this Ground Lease as of the date of such taking or damage by written notice to Landlord within three (3) months after the taking or damage deprives Tenant of possession of any such portion of, interest in or access to the Leased Premises, or any easements, rights or appurtenances thereto. In no event will a taking or condemnation of all or any portion of the Leased Premises constitute a default by Landlord under this Ground Lease, including, without limitation, Landlord's covenant of quiet enjoyment. Tenant shall not be entitled to any awards or payments made in the condemnation proceedings as compensation for the loss of its leasehold interests in the Leased Premises. Tenant shall only be entitled to any and all awards or payments made in the condemnation proceedings with respect to any damage to tenant's owned property located on the Leased Premises together with all additions, alterations and improvements thereto, and Tenant's trade fixtures and equipment.

- 12. Assignment and Subletting. Tenant may not assign this Ground Lease or sublet the whole or any part of the Leased Premises without the prior written approval of Landlord, which approval Landlord may grant or withhold in Landlord's sole and absolute discretion. If Tenant assigns this Ground Lease, Tenant shall remain primarily liable to Landlord for the full performance of Tenant's obligations. Immediately upon any assignment or subletting of any portion of the Leased Premises, Tenant shall provide Landlord with a complete and accurate copy of the assignment or sublease document. No approval of any assignment or subletting by Landlord shall waive Landlord's right to approve any subsequent assignment or subletting. Should Tenant sublet the Leased Premises for an annual rent in excess of the Annual Rent (other than subletting to individual University of Idaho students), Tenant shall pay the excess annual rent amount to Landlord when received.
- 13. Compliance With All Laws and Landlord Rules. During the term of this Ground Lease, Tenant's obligations and performance under this Ground Lease shall be consistent with all Landlord regulations and policies and comply with all applicable codes, laws, orders, statutes and regulations of any federal, state, county and municipal authorities that have jurisdiction over the Leased Premises.

#### 14. Default.

14.1 Default Defined. A party shall be deemed to be in default of this Ground Lease only upon the expiration of thirty (30) days (ten [10] days in the event of failure to pay money) from receipt of written notice from the other party specifying the particulars in which such party has failed to perform the obligations of this Ground Lease unless such party, prior to the expiration of said thirty (30) days (ten [10] days in

the event of failure to pay money), has rectified the particulars specified in said notice of default. However, such party shall not be deemed to be in default if such failure (except a failure to pay money) cannot be rectified within said thirty (30) day period and such party is using good faith and its best efforts to rectify the particulars specified in the notice of default and is diligently pursuing the remedy.

**14.2Landlord's Remedies.** In the event of a default by Tenant, Landlord may, upon thirty (30) days' prior written notice to Tenant (which thirty [30] days may overlap with the thirty [30] days in Section 14.1), (i) terminate this Ground Lease and re-enter the Leased Premises, (ii) perform or cure any obligation or duty of Tenant under this Ground Lease and any expense incurred by Landlord shall be due and payable by Tenant within fifteen (15) days after receipt of an invoice for the expenses, or (iii) re-enter the Leased Premises without terminating this Ground Lease and sublet the whole or any part thereof for the account of Tenant upon terms and conditions as Landlord, in Landlord's sole and absolute discretion, deems desirable. In the event of sub-item (iii), (a) Landlord shall have the right to collect any rent which may thereafter become due and payable under such sublease and to apply the same first, to the payment of any expenses incurred by Landlord in dispossessing Tenant and in subletting the Leased Premises, and second, to the payment of the Annual Rent herein reserved and to the fulfillment of Tenant's other covenants hereunder, and (b) Tenant shall be liable for amounts equal to the several installments of Annual Rent as they would under the terms of this Ground Lease become due, less any amounts actually received by Landlord and applied on account of rent as aforesaid.

**ATTACHMENT 2** 

14.3Non-Waiver. The failure of a party to insist upon strict

performance of any of the terms, covenants, conditions or agreements contained herein

shall not be deemed a waiver of any rights or remedies that said party may have, and

shall not be deemed a waiver of any subsequent breach or default in the performance of

any of the terms, covenants, conditions or agreements contained herein.

**14.4Remedies Cumulative.** In addition to the remedies set forth

in this Ground Lease, Landlord and Tenant shall have all other remedies provided by

law or statute to the same extent as if fully set forth herein word for word. No remedy

herein conferred upon, or reserved to Landlord or Tenant shall exclude any other

remedy herein or by law provided, but each shall be cumulative.

15. Notices.

**15.1Addresses.** All notices given pursuant to this Ground Lease

shall be in writing and shall be given by personal delivery, by United States mail or by

United States express mail or other established express delivery service (such as

Federal Express), postage or delivery charge prepaid, return receipt requested,

addressed to the person and address designated below. All notices to Landlord or

Tenant shall be sent to the person and address set forth below:

Landlord: Vice President for Finance and Administration

University of Idaho

Moscow, ID 83844-3145

Tenant: Idaho Alumni Assoc of Alpha Gamma Rho, Inc.

PO Box 3472

Moscow ID 83843

The person and address to which notices are to be given may be changed at any time by any party upon written notice to the other party. All notices given pursuant to this Ground Lease shall be deemed given upon receipt.

**15.2Receipt.** For the purpose of this Ground Lease, the term "**receipt**" shall mean the earlier of any of the following: (i) the date of delivery of the notice or other document to the address specified pursuant to Section 15.1 as shown on the return receipt, (ii) the date of actual receipt of the notice or other document by the person or entity specified pursuant to Section 15.1, or (iii) in the case of refusal to accept delivery or inability to deliver the notice or other document, the earlier of (a) the date of the attempted delivery or refusal to accept delivery, (b) the date of the postmark on the return receipt, or (c) the date of receipt of notice of refusal or notice of nondelivery by the sending party.

**15.3Additional Notices.** Landlord and Tenant agree that a copy of all notices given hereunder shall also be given to such other persons and addresses as Landlord or Tenant may designate in writing to the other party.

### 16. End of Term.

**16.1Holdover.** If the Tenant shall hold over following the expiration of the term of this Ground Lease, such holding over shall be on a month-to-month tenancy under the terms of this Ground Lease.

16.2Surrender. Tenant agrees that upon termination of this Ground Lease, Tenant shall surrender Leased Premises to Landlord as provided by this Section. Tenant may (i)remove the improvements on the Leased Premises, cap all utilities exclusively serving Tenant's property, grade the Leased Premises in such a

manner that drainage from the Leased Premises does not adversely affect the surrounding properties or create hazards at the site, and cover that portion of Leased Premises that is without lawn or adequate landscaping with sod of an equivalent type used by Landlord elsewhere on Landlord's nearby property. This option to undertake such removal shall only be available to Tenant in the event Tenant is not in default and when such action is preceded by written notice to Landlord provided on or before February 1 of the year in which Tenant seeks to surrender Leased Premises. removal or demolition work described above in this section shall be initiated after June 1 and be completed prior to August 15 of the year in which notice of such surrender is given by Tenant, unless another schedule is approved in writing by Landlord. Or (ii), if Tenant chooses not to proceed with demolition or removal of improvements as provided above, Tenant shall surrender the Leased Premises, including any and all improvements thereon, to Landlord in good condition, reasonable wear and tear excepted, and broom clean. Tenant shall, prior to the date of termination of the Lease, remove from the Leased Premises Tenant's personal property not affixed to the Leased Premises from the Leased Premises and shall repair any damage to the Leased Premises caused by such removal. Tenant's failure to remove any of Tenant's personal property shall be deemed an abandonment thereof, whereby title shall become vested in Landlord without further action taken or notice provided. Except as provided by this Section 16.2(i), Tenant shall not remove from the Leased Premises any improvements, fixtures or equipment affixed to the Leased Premises, unless removal is requested by Landlord in writing prior to the date of termination.

**16.3 Survival.** The obligations of Landlord and Tenant as set forth in this Section 16 (End of Term) and in Section 10 (Indemnification and Insurance) shall survive termination of this Ground Lease.

### 17. Estoppel Certificates.

17.1 Certificates. Each party agrees, upon receipt of written request from the other party and provided the requested party do so truthfully, to certify in writing to a prospective assignee, sublessee, purchaser or Lienholder of the requesting party (i) that this Ground Lease is in full force and effect, (ii) that this Ground Lease has not been amended (or, if it has, identifying all such amendments), (iii) that this Ground Lease has not been assigned by the requested party (or, if it has, identifying all such assignments), (iv) that, to the requested party's knowledge, the requesting party is not in default of any of the terms, covenants, conditions or agreements contained in this Ground Lease (or, if the requesting party is in default, specifying the nature of such default), and (v) such additional facts within the requested party's knowledge as may be reasonably required by the requesting party.

17.2Waiver. Any certificate issued pursuant to Section 17.1 (Certificates) shall act as a waiver of any claim by the party furnishing it against any such prospective purchaser or Lienholder (but not against the requesting party) to the extent such claim is based upon facts contrary to those contained in the certificate and to the extent such claim is asserted against a bona fide purchaser or encumbrancer for value without knowledge of facts to the contrary of those contained in the certificate and who has acted in reasonable reliance upon such certificate.

- 18. Attorneys' Fees. In the event either party to this Ground Lease initiates or defends any legal action or proceeding with the other party in any way connected with this Ground Lease, the prevailing party in any such legal action or proceeding, in addition to any other relief which may be granted, whether legal or equitable, shall be entitled to recover from the losing party in any such legal action or proceeding its reasonable costs and attorneys' fees (including its reasonable costs and attorneys' fees on any appeal). In the event either party to this Ground Lease initiates or defends any legal action or proceeding with a third party because of the violation of any term, covenant, condition or agreement contained in this Ground Lease by the other party to this Ground Lease, then the party so litigating shall be entitled to recover its reasonable costs and attorneys' fees (including its reasonable costs and attorneys' fees on any appeal) incurred in connection with such litigation from the other party to this Ground All such costs and attorneys' fees shall be deemed to have accrued on Lease. commencement of any such legal action or proceeding and shall be enforceable whether or not such legal action or proceeding is prosecuted to judgment.
- 19. Recordation of Ground Lease. This Ground Lease shall be recorded in Latah County, Idaho by Tenant and at Tenant's sole cost. A certified copy of the recorded document or the original document with recording information shall be returned to Landlord at the address given in Section 15 (Notices), but to the attention of the "Real Estate Officer". Any subsequent amendment to this Ground Lease (as provided by Section 23.11 of this Ground Lease) shall also be recorded by Tenant in accordance with the provisions in this Section 19.

### 20. Mortgage.

20.1 Permitted Encumbrances. Tenant or any assignee or subtenant of Tenant may place a mortgage or deed of trust on any improvements constructed on the Leased Premises and on Tenant's interest in the Leased Premises. Such mortgage or deed of trust shall not encumber Landlord's fee title to the Leased Premises.

20.2Notices to Lienholder. In the event Tenant is in default under this Ground Lease as defined in Article 14 (Default), Landlord agrees to give written notice of such default to the Lienholder under any such mortgage or deed of trust, provided the name and address of such Lienholder has been furnished to Landlord by Tenant. Landlord shall not terminate this Ground Lease, re-enter the Leased Premises, or exercise any other remedy available at law which would dispossess Tenant of the Leased Premises, provided said Lienholder has cured said default within the time allowed Tenant for same hereunder or within thirty (30) days (ten [10] days in the event of a failure to pay money) after receipt of said notice of default by said Lienholder, whichever is greater.

20.3Attornment. Landlord further agrees that, should said Lienholder or its designee acquire Tenant's interest in the improvements constructed on the Leased Premises through a foreclosure of such mortgage or deed of trust or any transfer in lieu thereof, said Lienholder or its designee shall have the right to attorn to Landlord, provided said Lienholder or its designee cures all defaults of Tenant under this Ground Lease existing at the time of such attornment, which are within the power of said Lienholder or its designee to cure, and Landlord will accept such attornment, and

said Lienholder or its designee and Landlord shall have the same rights and obligations toward one another which they would have had had this Ground Lease been entered into with Landlord, as Landlord, and said Lienholder or its designee, as Tenant. Landlord agrees to execute any documents reasonably requested by said Lienholder and acceptable to Landlord, in Landlord's sole discretion, in connection with Landlord's obligations under this Article 20.

**20.4Subordination.** This Ground Lease, at Landlord's option, shall at all times be subject and subordinate to all and any mortgage, deed of trust or other financing placed on Landlord's fee title interest in the Leased Premises and all extensions, modifications, consolidations, renewals and replacements thereof. Tenant agrees that upon written request by Landlord, Tenant will execute, acknowledge and deliver any and all instruments requested by Landlord which are necessary or proper to effect the subordination of this Ground Lease to any mortgage, deed of trust or financing placed by Landlord on the Leased Premises. Should fee title to the Leased Premises be acquired by any Lienholder in connection with any proceeding under the terms of any such mortgage, deed of trust or financing arrangement, this Ground Lease shall continue in full force and effect, and Tenant hereby agrees to attorn to such Lienholder. Any prospective Lienholder requesting subordination by Tenant shall enter into a nondisturbance agreement assuring Tenant that so long as Tenant is in compliance with the terms and conditions of this Ground Lease, Tenant's right to continue in possession of the Leased Premises shall not be interfered with.

21. Landlord's Right of Entry. After obtaining Tenant's consent, which shall not be unreasonably withheld or delayed, Landlord and Landlord's agents may enter the

Leased Premises to (i) inspect the general condition and state of repair of the Leased Premises, (ii) show the Leased Premises to such persons as Landlord deems reasonably necessary, or (iii) for any other purpose Landlord deems reasonably necessary. In the event of an emergency arising within the Leased Premises which endangers property or persons, the consent requirement is waived by Tenant.

transfer the Leased Premises without the consent of Tenant. Landlord and Tenant agree that the sale of the property to a buyer not in an equivalent tax status with the University, would materially affect the parties' rights under the Ground Lease and each party hereby agrees that prior to any sale to such an entity, Landlord and Tenant will, in good faith, renegotiate paragraph 8, Taxes, and paragraph 3, Rent, prior to such sale. If Landlord should sell or transfer Landlord's interest in the Leased Premises, then effective with the date of the sale or transfer, Landlord's successor in interest shall be fully responsible for all of the terms and conditions expressed in this Ground Lease. If the successor in interest agrees in writing to be bound by all of the terms and conditions in this Ground Lease, then the Board of Regents of the University of Idaho shall be released and discharged from any and all further obligations and responsibilities under this Ground Lease (except those already accrued).

### 23. General Provisions.

23.1Successors and Assigns. All of the provisions contained in this Ground Lease shall be binding upon and inure to the benefit of the heirs, personal representatives, successors and assigns of the parties hereto.

23.2Partial Invalidity. If any term, covenant, condition or agreement of this Ground Lease or the application of it to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Ground Lease or the application of such term, covenant, condition or agreement to persons or circumstances, other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term, covenant, condition or agreement of this Ground Lease shall be valid and shall be enforced to the extent permitted by law.

23.3Headings. The captions and headings in this Ground Lease are for reference only and shall not be deemed to define or limit the scope or intent of any of the terms, covenants, conditions or agreements contained herein.

**23.4Entire Agreement.** This Ground Lease contains the entire agreement between the parties hereto and supersedes all prior agreements, oral or written, with respect to the subject matter hereof. The provisions of this Ground Lease shall be construed as a whole and not strictly for or against any party.

23.5Gender. In construing the provisions of this Ground Lease and whenever the context so requires, the use of a gender shall include all other genders, the use of the singular shall include the plural, and the use of the plural shall include the singular.

23.6Authority. Each individual executing this Ground Lease on behalf of either party represents and warrants that he or she is duly authorized to execute and deliver this Ground Lease on behalf of said party, in accordance with all agreements of such party and that this Ground Lease is binding upon said party in accordance with the terms hereof.

23.7Venue. This Ground Lease shall be governed by the laws of the State of Idaho. All legal proceedings under this Ground Lease shall be instituted in the courts of the County of Latah, State of Idaho, and each party agrees to submit to the jurisdiction of such courts.

23.8 Joint and Several Liability. In the event any party hereto is composed of more than one person, the obligations of said party shall be joint and several.

**23.9Relationship.** The provisions of this Ground Lease are not intended to create, nor shall they be in any way interpreted or construed to create, a joint venture, partnership, or any other similar relationship between the parties.

23.10 Third Party Beneficiary. This Ground Lease is not intended to create, nor shall it be in any way interpreted or construed to create, any third party beneficiary rights in any person not a party hereto unless otherwise expressly provided herein.

**23.11 Amendment**. No amendment, modification, release, discharge, or waiver of any provisions hereof shall be of any force, effect, or value unless in writing and signed by Landlord and Tenant.

EXECUTED as of the date first above written.

The Regents of the University of Idaho, a state educational institution and body politic and corporate organized and existing under the constitution and laws of the state of Idaho	Idaho Alumni Association of Alpha Gamma Rho, Inc., an Idaho non-profit corporation
By: Lloyd E. Mues Vice President, Finance and Administration	By:President
	ATTEST:
	By:
	Secretary

STATE OF IDAHO )	
County of) ss.	
On this day of, a Nota	, 2007, before me, ary Public in and for said State, personally
appeared and President and Secretary, respectively, Rho, Inc., the non-profit corporation that	, known to me to be the of Idaho Alumni Association of Alpha Gamma at executed the within instrument or the person behalf of said non-profit corporation, and
WITNESS MY HAND and official this certificate first above written.	seal hereto affixed the day, month and year in
	Notary Public for the State of Idaho Residing at
	Residing at My Commission Expires
STATE OF IDAHO ) ) ss. County of )	
	, 2007, before me, ary Public in and for said State, personally
appeared Lloyd E. Mues known to me to of <b>The Board of Regents of the Univ</b> and body politic and corporate organized the State of Idaho, that executed the wind state of Idaho, t	be Vice President, Finance and Administration rersity of Idaho, a state educational institution and and existing under the constitution and laws of thin instrument or the person who executed the and acknowledged to me that such body politic
WITNESS MY HAND and official this certificate first above written.	seal hereto affixed the day, month and year in
	Notary Public for the State of Idaho Residing at
	My Commission Expires

### **List of Schedules:**

Schedule I – Description of Leased Premises

### Schedule I

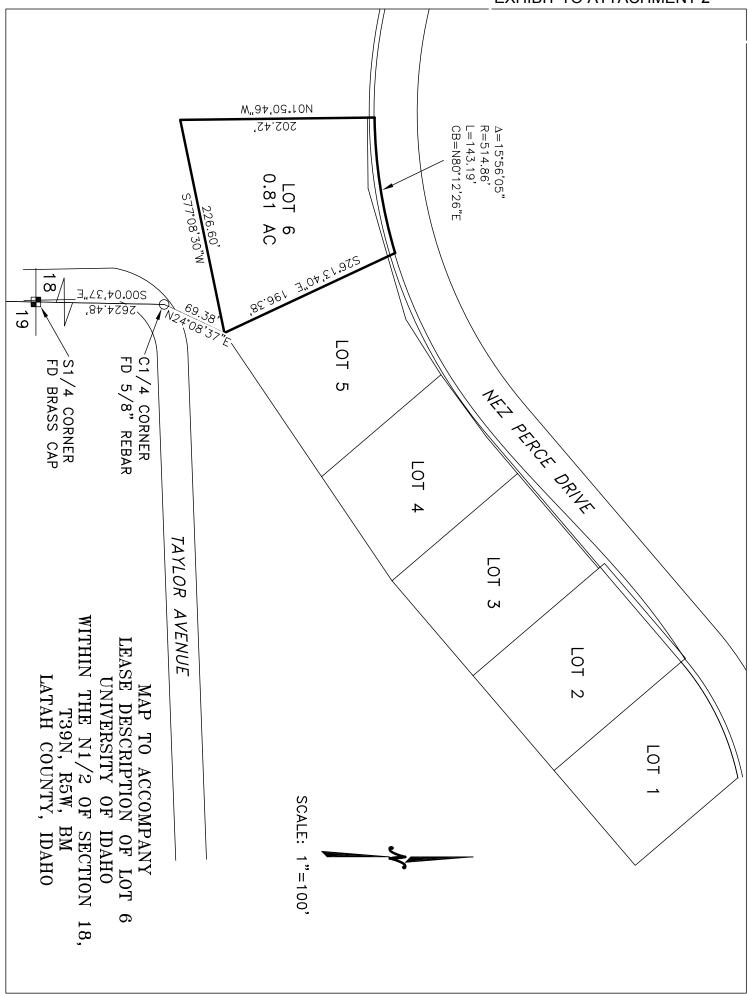
Property is described as the real property located in the north half of Section 18, Township 39 North, Range 5 West, Boise Meridian, Latah County, Idaho, described as follows: Commencing at the center quarter corner of Section 18, Township 39 North, Range 5 West, BM, from which the south quarter corner of said Section 18 bears South 00°04'37" East, 2624.48 feet; Thence North 24°08'37" East, 69.38 feet to the Point of Beginning; Thence South 77°08'30" West 226.60 feet; Thence North 01°50'46" West, 202.42 feet to a point in the southerly curb along Nez Perce Drive; Thence 143.19 feet along said curb, being a curve to the left with a radius of 514.86 feet and a chord which bears North 80°12'26" East, 142.73 feet; Thence leaving Nez Perce Drive, South 26°13'40" East, 196.38 feet to the Point of Beginning.

### **ATTACHMENT 2**

Insert MAP Exhibit

### **ATTACHMENT 2**

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### REFERENCE - APPLICABLE STATUTE, RULE OR POLICY

Idaho State Board of Education
GOVERNING POLICIES AND PROCEDURES

SECTION: V. FINANCIAL AFFAIRS

Subsection: I. Real and Personal Property and Services April 2002

### I. Real and Personal Property and Services

5. Disposal of Real Property

a. Temporary Permits

Permits to make a temporary and limited use of real property under the control of an institution, school or agency may be issued by the institution, school or agency without prior Board approval.

- b. Board approval of other transfers
- (1) Leases to use real property under the control of an institution, school or agency require prior Board approval if the term of the lease exceeds five (5) years or if the lease revenue exceeds two hundred fifty thousand dollars (\$250,000).
- (2) Easements to make a permanent use of real property under the control of an institution, school or agency require prior Board approval unless easements are to public entities for utilities.
- (3) The transfer by an institution, school or agency of any other interest in real property requires prior Board approval.

### REFERENCE – APPLICABLE STATUTE, RULE OR POLICY - continued

IDAHO CODE STATUTES ANNOTATED

GENERAL LAWS

TITLE 58. PUBLIC LANDS

CHAPTER 3. APPRAISEMENT, LEASE, AND SALE OF LANDS

Idaho Code § 58-335 (2007)

§ 58-335. Lands exempt from act

This act shall not be construed as applying to any lands or properties acquired under the act of congress, known as the Idaho Admission Act, or in the subsequent operations of the various endowment funds of the state. Nor shall this act apply to any lands or properties in the custody of the board of regents of the University of Idaho in its corporate capacity: provided, however, that the board of regents, desiring to avail itself of the facilities of this act, for the sale, exchange or transfer of any such properties, may proceed to negotiate a sale, transfer or exchange with the state board of land commissioners as would any other tax-supported agency. If the board of regents of the University of Idaho does not avail itself of the facilities of this act, the board of regents shall use a process for disposal of real property that includes, at a minimum, a required appraisal and public notice of the proposed real property disposal prior to disposal; and for property disposals that are not part of an exchange or transfer, consideration given to granting a first option to purchase to local, state and federal governmental entities.

# INSTITUTION / AGENCY AGENDA UNIVERSITY OF IDAHO

#### **SUBJECT**

Capital Project Authorization Request, Energy Services Performance Contract

### REFERENCE

February, 2006 SBOE Executive Director Approval, Base Technical

Assessments, \$315,000. Allowed the University to proceed with baseline technical assessment of buildings for potential lighting, HVAC, and control

system upgrades.

June, 2007 SBOE approval for the University of Idaho to proceed

with the energy performance contract concept and to pursue financing for a planned \$35M Energy Services

Performance Contract.

### APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Section V.K.1 and Section V.K.2

Section 67-5711D, Idaho Code

#### **BACKGROUND**

This is a follow up request for Regent's authorization to enter into an Energy Services Performance Contract with McKinstry Co. for a maximum of \$35,000,000. University staff will present the detailed financing program with repayment utilizing energy savings and general revenues as a companion Board agenda item. The university intends initially to proceed with construction of the projects identified in the Base Technical Assessments (TA) and complete an Expanded Scope of Technical Assessments. Upon completion of the Expanded Scope Technical Assessments, the university will contract with McKinstry Co. to construct those additional projects which meet the cost, engineering, and savings goals of the university.

### **DISCUSSION**

On March 28, 2001 the legislature passed the State of Idaho Performance Contracting Bill 251, which amends and adds to existing State law to provide for energy saving performance contracts. In the Spring of 2006, The University of Idaho obtained Executive Director approval and initiated technical assessments of its Moscow campus buildings and infrastructure for lighting, HVAC, and control

## INSTITUTION / AGENCY AGENDA UNIVERSITY OF IDAHO - continued

system energy savings at a projected cost of \$315,000. In February 2007, the University of Idaho authorized an additional \$175,000 to McKinstry Co. to conduct a feasibility study of an expanded scope of infrastructure systems in order to identify additional projects that would offer additional savings payback and/or are necessary for the ongoing operation of these critical campus systems.

McKinstry Co. submitted the following estimated costs of the proposed Base TA Energy Upgrades with their corresponding estimated energy savings.

<u>PROJECT</u>	EST. COST	ANNUAL SAVINGS
Lighting Retrofits	\$3,971,845	\$249,353
Controls Upgrades	\$4,974,985	\$375,535
HVAC Upgrades	\$4,498,358	\$298,076

McKinstry Co. also recently completed the feasibility studies of the expanded scope of potential projects and developed the following rough estimates of cost and energy savings. More detailed cost and savings estimates will be available at the completion of Expanded Scope Technical Assessments for these projects.

2M Gallon Chilled Water Storage T & Campus Chilled Water System	ank \$9M-\$11M	\$121,000
Wood Chip Storage Facilities & Campus Steam System	\$10M-\$14M	\$300,000

In addition to the Annual Energy Savings anticipated, the local commercial power provider, Avista Utilities, offers rebate incentives for performing energy saving upgrades which are estimated at \$1,340,454.

A detailed financial analysis outlining the bonding costs and payback schedules is being presented as a separate board agenda item.

These projects will also provide other direct benefits to the university by completing or removing the need for some projects on the current deferred maintenance list, and removing or delaying the need for some Capital Project Improvements to support campus operations. The current estimate of deferred maintenance costs either removed or avoided, as well as capital costs avoided, is approximately \$11M.

# INSTITUTION / AGENCY AGENDA UNIVERSITY OF IDAHO - continued

Scheduled milestones for delivery and implementation include:

Milestone	Date		
SBOE Authorization for \$35M Energy Services Performance Contract	Oct, 2007		
UI Funding/Bonding Process Complete	Oct, 2007		
Performance Contract for Baseline Scope and Authorize Expanded Technical Analysis	Oct, 2007		
Expanded Scope Technical Analysis completed	May , 2008		
Performance Contract for Expanded Scope	June , 2008		
Estimated Completion of all Construction	Fall 2011		

The project is fully consistent with the university's Strategic Plan, Long Range Campus Development Plan (LRCDP), and the Campus Infrastructure Master Plan.

#### **IMPACT**

<u>Funding</u>			Estimate Budget	
State	\$	0	Construction	\$30,000,000
Federal (Grant):	\$	0	A/E & Consultant Fees	\$ 3,000,000
Other (UI/Bond)	\$ <u>35,000,0</u>	00	Contingency	\$ 2,000,000
Total	\$ 35,000,0	00	Total	\$35,000,000

#### **ATTACHMENTS**

Attachment 1 – McKinstry Executive Summary	Page	5
Attachment 2 – Base Technical Audit Measures	Page	7
Attachment 3 – Expanded Technical Audit Measures	Page	19
Attachment 4 – Capital Project Tracking Sheet	Page	21

### STAFF COMMENTS AND RECOMMENDATIONS

Approval of this agenda item is contingent upon the approval of the Bond Funding agenda item immediately following. Approval of this agenda item would allow the University to complete the technical audits and to execute construction contracts for the ESCO projects in the amount of \$35,000,000. General Revenue Bonds in the amount of \$38,380,000 would be used to pay for this project, as outlined in agenda Tab 3. Staff has provided analysis of the bonds in Tab 3 but notes here that the University estimates its debt service ratio as a percentage of operating budget to stay below 4.0% and including this project with additional anticipated projects in 2008 and 2010 results in a debt service ratio not more than 4.25%. This is achieved by raising student fees and resulting energy savings.

## INSTITUTION / AGENCY AGENDA UNIVERSITY OF IDAHO - continued

Staff calculated the payback period for this project is approximately 21 years. According to the University, ESCO payback benchmarks vary with the type of projects being analyzed. Below is a quick recap of what the University understood to be reasonable paybacks for ESCO improvements:

Lighting projects: 7-12 years

Controls and HVAC projects: 10-15 years Expanded Technical Audit projects: 25+ years

Projects, like utilidors, tunnels, chilled water tanks, etc: N/A

The \$40 per semester fee approved by the Board in April will be added to the existing Student Facility Fee. This represented 2% of the total 5% increase in full-time fees. For this project, the University anticipates raising semester fees \$50 in FY09, \$60 in FY10, \$70 in FY11 and \$80 in FY12. The annual increase of \$100 in FY09 would equal a 2.3% increase in full-time fees.

The Board approved similar ESCO projects for Idaho State University (ISU) and Boise State University (BSU) in 2002 and 2003, respectively. Both projects contained a guarantee that the cost of the project would be paid by the annual savings from energy conservation measures. The estimated pay back period for ISU was 16 years and for BSU 16-18 years. Staff has inquired of BSU and ISU whether the energy savings to-date have been adequate to cover their ESCO costs.

Staff suggests the Board determine the need to use student fees to fund part of the costs of the UI ESCO project.

### **BOARD ACTION**

A motion to approve the request by the University of Idaho to complete the technical audits as described in the expanded scope feasibility study and to execute all necessary construction contracts in support of an Energy Services Performance Contract to include the base and expanded scope projects. This approval is contingent upon approval of the Bond Funding strategy presented in a separate board agenda item.

Moved by	Seconded by	Carried Yes	No
		<u></u>	



August 30, 2007

Joseph Kline
Director, FMO Utilities & Eng
University of Idaho
Facilities Services
875 Perimeter Drive
Moscow, ID 83844-2281

Subject: Executive Summary – University of Idaho Energy Performance Contract (EPC)

#### A. OVERVIEW

McKinstry Co. has completed an extensive and holistic study focused on identifying campus wide opportunities for reducing energy consumption and increasing efficiency of campus systems and buildings. A key component of our approach and proposed solutions has been to identify opportunities for assisting the University of Idaho with their continued commitment and efforts towards developing and maintaining a Sustainable campus that is "Carbon Neutral".

McKinstry will detail through our Technical Audit Report and the Energy Performance Contract all the services being provided for design, construction, and system verification, including initial commissioning of the installed equipment and systems. Our process includes documenting operation and performance to prove the ability to realize the projected savings and includes post project measure and verification.

#### **B. PROJECT DESCRIPTION**

McKinstry has identified and prioritized with the University of Idaho projects totaling \$35,000,000 (inclusive of all fees and owner contingency). The Technical Audit provides information related to specific project financials for the proposed project. The project includes University prioritized Lighting, Controls, and HVAC upgrades in 72 buildings within the core of the University of Idaho campus, Central Chilled Water system improvements including a new CHW Thermal Storage Tank and campus Chilled Water Infrastructure improvements, Biomass Steam Boiler system Fuel Storage and Drying measures and campus Steam Infrastructure improvements.

### C. SUMMARY OF BENEFITS

University of Idaho will achieve the following benefits through implementation of your Energy Performance Contract (EPC) project;

### ATTACHMENT 1

Page 2



- **Energy Savings** Project is projected to produce over \$1,371,769 of annual utility cost avoided savings from the combination of Lighting, Controls, and HVAC and campus Chilled Water and Steam improvement measures.
- ➤ **Utility Rebates** The projected rebate incentives available from Avista for this project based on the total kWh energy savings is \$1,340,454.
- Carbon Reductions Greenhouse gas emissions produced by power plants will diminish as a result of this project with a net reduction of carbon estimated to be 12.2 million tons of carbon saved annually, positively impacting the University's goal to be Carbon Neutral.
- Several of the proposed measures will directly offset future planned or proposed capital project costs including elimination of a capital request for the new East Campus Chilled Water Production plant.
- Enhancements to both the campus biomass heating plant through improved fuel storage and drying and more efficient chilled water production and storage contribute towards the development of a sustainable campus.
- > **Deferred Maintenance** Approximately 25% of the total proposed measures address existing campus deferred maintenance issues.
- **Campus Standardization** The Lighting, Controls, and HVAC measures provide equipment standardization which helps in the reduction and management of material inventory and associated system maintenance costs.
- Lighting Improvements Beyond providing energy reduction and lighting standardization, buildings will have an improved quality of light and lighting levels producing a better working and learning environment.
- Campus Energy Management The controls measures expand UI's existing Energy Management Control System (EMCS) providing better building and energy control, adding the capacity for further pursuing future control and energy measures.
- HVAC Improvements HVAC system and equipment will function more efficiently providing more comfortable and reliable operation, with hours of operation being modified to match building use.
- Campus Master Plan Proposed central campus heating and cooling and infrastructure measures align with University of Idaho's Long Range Campus Development Plan (LRCDP) and Utility and Infrastructure Master Plan (UIMP).

#### D. CONCLUSION

Through this collaborative effort with the University of Idaho, McKinstry has completed an extensive study of campus wide energy usage and efficiency upgrade opportunities. Together we have developed an energy project that will significantly improve campus systems, buildings, and infrastructure to help towards achieving long term energy efficiency, conservation, and sustainability goals.

McKinstry is looking forward to working with University of Idaho to make their energy project a success.



Bld#	Building Name	FIM Name	Detailed Description	Budget *	Annual Utility Savings	Potential Utility Rebate**	Net Customer Cost (including Utility Rebate)	Simple Payback (including Utility Rebate)
001	Administration	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$137,262	\$10,276	\$32,435	\$104,827	10.2
001	Administration	1-ADM	Building HVAC Optimization	\$34,104	\$2,572	\$0	\$34,104	13.3
003	Art & Architecture North	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$78,355	\$6,588	\$20,794	\$57,561	8.7
003	Art & Architecture North	1-AAN	H&V-1 Optimization	\$65,726	\$1,715	\$1,835	\$63,891	37.3
003	Art & Architecture North	2-AAN	H&V-2 Optimization	\$53,654	\$2,221	\$2,209	\$51,446	23.2
003	Art & Architecture North	3-AAN	H&V-3 Optimization	\$53,654	\$2,548	\$2,443	\$51,211	20.1
003	Art & Architecture North	4-AAN	H&V-4 Optimization	\$53,654	\$2,965	\$2,866	\$50,788	17.1
004	Phinney Hall (Archie)	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$60,959	\$2,708	\$8,546	\$52,413	19.4
004	Phinney Hall (Archie)	1-PHA	Building HVAC Optimization	\$35,832	\$3,547	\$0	\$35,832	10.1
004	Phinney Hall (Archie)	2-PHA	Math Lab and Office HVAC Optimization	\$2,396	\$532	\$1,367	\$1,029	1.9
005	Food Research Center	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$34,914	\$2,725	\$8,600	\$26,314	9.7
005	Food Research Center	4-FRC	AHU for Rm 103 HVAC Optimization	\$8,379	\$799	\$318	\$8,061	10.1
005	Food Research Center	5-FRC	AHU for Rm 106 HVAC Optimization	\$5,889	\$680	\$158	\$5,731	8.4
005	Food Research Center	6-FRC	AHU for Rm 204 HVAC Optimization	\$5,889	\$778	\$225	\$5,664	7.3
005	Food Research Center	8-FRC	Building Controls	\$39,342	\$1,138	\$0	\$39,342	34.6
006	Graduate Art (GAS House)	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$19,402	\$962	\$3,037	\$16,365	17.0
006	Graduate Art (GAS House)	1-GAS	Building HVAC Optimization	\$32,975	\$791	\$73	\$32,901	41.6
007	Continuing Education	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$39,700	\$2,811	\$8,873	\$30,827	11.0
007	Continuing Education	3-CED	Building Controls	\$34,357	\$6,069	\$0	\$34,357	5.7
009	Life Science North (Gibb Hall)	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$60,556	\$8,274	\$26,114	\$34,442	4.2
009	Life Science North (Gibb Hall)	3-LSN	Building Air Handlers - Install VFD's on Supply and Exhaust Fans	\$157,318	\$10,094	\$25,943	\$131,376	13.0
009	Life Science North (Gibb Hall)	1-LSN	LARF Air Handlers - Clean Heat Recovery Coils & Rebalance Both Air Handlers	\$35,166	\$10,171	\$3,375	\$31,791	3.1



Bld#	Building Name	FIM Name	Detailed Description	Budget *	Annual Utility Savings	Potential Utility Rebate**	Net Customer Cost (including Utility Rebate)	Simple Payback (including Utility Rebate)
009	Life Science North (Gibb Hall)	2-LSN	Building Air Handlers - Rebalance Both Air Handlers	\$8,607	\$2,388	\$6,137	\$2,470	1.0
010	Alumni Center	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$23,124	\$1,200	\$3,787	\$19,336	16.1
010	Alumni Center	1-ACE	Fan Coil HVAC Optimization	\$61,833	\$2,179	\$3,425	\$58,408	26.8
010	Alumni Center	3-ACE	Building Controls	\$29,305	\$2,318	\$0	\$29,305	12.6
011	Power Plant	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$53,083	\$3,041	\$9,600	\$43,484	14.3
011	Power Plant	2-PPL	Building Controls	\$25,383	\$3,638	\$9,352	\$16,032	4.4
012	Health Center	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$37,677	\$3,449	\$10,886	\$26,792	7.8
012	Health Center	2-HCE	Fan Coil HVAC Optimization	\$8,396	\$2,684	\$658	\$7,738	2.9
012	Health Center	3-HCE	Roof Top Unit HVAC Optimization	\$38,790	\$2,632	\$358	\$38,431	14.6
012	Health Center	4-HCE	Building Controls	\$32,621	\$1,379	\$133	\$32,488	23.6
014	Menard Law Building	2-MLB	CHW Modifications Within Building	\$125,870	\$21,229	\$54,562	\$71,308	3.4
014	Menard Law Building	3-MLB	Heating and Domestic Hot Water Modifications Within Building	\$252,023	\$61,118	\$0	\$252,023	4.1
014	Menard Law Building	4-MLB	Optimize Damper Operation and Sequencing of Main AHU	\$57,181	\$5,360	\$13,775	\$43,406	8.1
014	Menard Law Building	5-MLB	Main AHU Scheduling and Control	\$362,997	\$21,439	\$55,101	\$307,896	14.4
015	Memorial Gym	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$110,886	\$6,937	\$21,895	\$88,991	12.8
015	Memorial Gym	1-MGM	Rifle Range HVAC Optimization	\$81,513	\$2,367	\$6,085	\$75,427	31.9
015	Memorial Gym	2-MGM	Multipurpose Room HVAC Optimization	\$55,649	\$1,146	\$0	\$55,649	48.6
015	Memorial Gym	4-MGM	AHU-4 HVAC Optimization	\$53,892	\$1,252	\$0	\$53,892	43.1
015	Memorial Gym	5-MGM	AHU-3 HVAC optimization	\$62,079	\$1,130	\$0	\$62,079	54.9
015	Memorial Gym	10-MGM	Building Controls	\$31,716	\$10,052	\$0	\$31,716	3.2
015	Memorial Gym	6-MGM	Main Gym HVAC Optimization	\$27,906	\$5,136	\$348	\$27,558	5.4
016	Art & Arch. (old Psychology)	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$26,430	\$1,708	\$5,392	\$21,038	12.3
016	Art & Arch. (old Psychology)	1-AAO	Building HVAC Optimization	\$8,190	\$2,424	\$1,081	\$7,109	2.9
016	Art & Arch. (old Psychology)	2-AAO	Building Controls	\$31,062	\$2,553	\$0	\$31,062	12.2
017	Morrill Hall	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$35,360	\$1,908	\$6,022	\$29,338	15.4
017	Morrill Hall	1-MHA	1st, 2nd and 3rd Floor HVAC Optimization	\$41,745	\$1,527	\$755	\$40,990	26.8
017	Morrill Hall	3-MHA	Restroom Exhaust HVAC Optimization	\$30,568	\$440	\$780	\$29,789	67.7
017	Morrill Hall	4-MHA	Building Controls	\$40,742	\$3,365	\$0	\$40,742	12.1
018	Ridenbaugh	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$3,964	\$253	\$799	\$3,165	12.5
018	Ridenbaugh	2-RID	Building Controls	\$32,975	\$2,337	\$0	\$32,975	14.1



Bld#	Building Name	FIM Name	Detailed Description	Budget *	Annual Utility Savings	Potential Utility Rebate**	Net Customer Cost (including Utility Rebate)	Simple Payback (including Utility Rebate)
019	Life Science South	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$46,905	\$3,861	\$12,187	\$34,718	9.0
019	Life Science South	1-LSS	AHU-5	\$131,064	\$3,753	\$9,646	\$121,418	32.4
019	Life Science South	2-LSS	AHU-6, AHU-7, AHU-8	\$10,662	\$3,702	\$7,009	\$3,653	1.0
019	Life Science South	4-LSS	AHU-10	\$58,210	\$2,267	\$3,438	\$54,772	24.2
020	Student Union	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$77,060	\$7,178	\$22,656	\$54,403	7.6
020	Student Union	5-SUN	Old AH-1 Optimization	\$90,037	\$2,713	\$6,973	\$83,064	30.6
020	Student Union	6-SUN	Old AH-2 Optimization	\$62,340	\$1,857	\$4,774	\$57,567	31.0
020	Student Union	8-SUN	AH-9 Optimization	\$51,329	\$1,041	\$2,675	\$48,654	46.7
020	Student Union	9-SUN	AH-10/11 Optimization	\$106,246	\$583	\$1,499	\$104,746	179.6
020	Student Union	10-SUN	AH-12 Optimization	\$106,246	\$1,130	\$2,904	\$103,341	91.5
020	Student Union	11-SUN	AH-13 Optimization	\$47,811	\$988	\$2,540	\$45,271	45.8
020	Student Union	15-SUN	Building Chiller (Small Unit)	\$154,507	\$7,613	\$19,567	\$134,939	17.7
021	Brink Hall (Carol Ryrie)	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$93,321	\$4,447	\$14,038	\$79,284	17.8
021	Brink Hall (Carol Ryrie)	3-ВНА	Building Controls	\$38,768	\$5,005	\$0	\$38,768	7.7
022	Art & Arch. South	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$26,538	\$1,840	\$5,807	\$20,731	11.3
022	Art & Arch. South	1-AAS	AHU-1 (First Floor) HVAC Optimization	\$60,498	\$1,261	\$258	\$60,240	47.8
022	Art & Arch. South	2-AAS	AHU-2 (First Floor) HVAC Optimization	\$50,931	\$1,289	\$268	\$50,664	39.3
022	Art & Arch. South	3-AAS	AHU-3 (Second Floor) HVAC Optimization	\$51,078	\$1,503	\$415	\$50,663	33.7
022	Art & Arch. South	4-AAS	AHU-4 (Third Floor) HVAC Optimization	\$51,078	\$2,347	\$671	\$50,407	21.5
022	Art & Arch. South	5-AAS	AHU-5 (Third Floor) HVAC Optimization	\$50,931	\$561	\$206	\$50,726	90.5
025	Ag. Science	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$249,690	\$12,563	\$39,654	\$210,037	16.7
025	Agricultural Science	1-AGS	Food Renovation AH-8 and AH-9 Optimization	\$42,694	\$3,087	\$4,424	\$38,270	12.4
025	Agricultural Science	4-AGS	Old Wing - AH-3	\$31,581	\$2,006	\$3,012	\$28,569	14.2
025	Agricultural Science	5-AGS	Old Wing - Exhaust Fans	\$14,462	\$640	\$1,644	\$12,818	20.0
025	Agricultural Science	10-AGS	New Wing - AH-2 Optimization	\$6,740	\$2,714	\$3,953	\$2,787	1.0
025	Agricultural Science	11-AGS	New Wing - AH-3 and AH-4 Optimization	\$121,279	\$2,533	\$4,463	\$116,817	46.1
025	Agricultural Science	2-AGS	Old Wing - AH-1	\$50,004	\$2,036	\$2,796	\$47,209	23.2
025	Agricultural Science	12-AGS	Building Fan Coil Units	\$296,533	\$3,358	\$3,171	\$293,362	87.4
026	Hampton Music Building	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$63,811	\$2,300	\$7,258	\$56,553	24.6
026	Hampton Music Building	6-HMB	Building Controls	\$40,836	\$1,574	\$0	\$40,836	25.9



Bld#	Building Name	FIM Name	Detailed Description	Budget *	Annual Utility Savings	Potential Utility Rebate**	Net Customer Cost (including Utility Rebate)	Simple Payback (including Utility Rebate)
028	Janssen Engr. Building	2-JEB	AH-3 HVAC Optimization	\$11,465	\$5,874	\$4,159	\$7,306	1.2
028	Janssen Engr. Building	3-JEB	Building Steam Optimization	\$40,125	\$1,973	\$0	\$40,125	20.3
030	Niccolls Hall (Home Economics)	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$75,759	\$2,011	\$6,349	\$69,410	34.5
030	Niccolls Hall (Home Economics)	2-NHA	Small Split System HVAC Optimization	\$22,366	\$1,138	\$858	\$21,508	18.9
030	Niccolls Hall (Home Economics)	3-NHA	Building Controls	\$30,560	\$2,350	\$0	\$30,560	13.0
032	Library	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$36,046	\$2,660	\$8,397	\$27,649	10.4
032	Library	1-LIB	Building AHU-1 through AHU-7 HVAC Optimization	\$12,132	\$11,190	\$7,806	\$4,325	0.4
032	Library	2-LIB	Basement AC-1 HVAC Optimization	\$55,365	\$2,857	\$2,225	\$53,140	18.6
033	Holm Research Ct (Vet Science)	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$42,119	\$3,778	\$11,926	\$30,193	8.0
033	Holm Research Ct (Vet Science)	2-HRC	MZ-2 and MZ-4 HVAC Optimization	\$12,876	\$3,322	\$1,850	\$11,025	3.3
034	Steel House	2-SHO	Building Controls	\$32,975	\$1,886	\$0	\$32,975	17.5
035	Martin, J.W. Lab (Ag. Engineering)	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$39,024	\$3,883	\$12,256	\$26,768	6.9
035	Martin, J.W. Lab (Ag. Engineering)	1-MJW	SF-1 Optimization	\$71,381	\$8,059	\$7,200	\$64,181	8.0
035	Martin, J.W. Lab (Ag. Engineering)	2-MJW	SF-2 Optimization	\$51,983	\$4,103	\$3,876	\$48,107	11.7
035	Martin, J.W. Lab (Ag. Engineering)	3-MJW	SF-3 Optimization	\$51,983	\$3,611	\$3,262	\$48,721	13.5
035	Martin, J.W. Lab (Ag. Engineering)	4-MJW	Radiological Lab Optimization	\$60,256	\$5,009	\$4,607	\$55,649	11.1
036	Radio/TV	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$10,768	\$952	\$3,006	\$7,762	8.1
036	Radio/TV	1-RTV	Radio Addition HVAC Optimization	\$44,289	\$1,084	\$86	\$44,202	40.8
036	Radio/TV	2-RTV	TV Unit (North) HVAC Optimization	\$34,978	\$1,331	\$379	\$34,599	26.0
036	Radio/TV	3-RTV	TV Unit (South) HVAC Optimization.	\$34,978	\$2,015	\$1,250	\$33,728	16.7
038	College of Mines	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$103,821	\$4,224	\$13,333	\$90,488	21.4
038	College of Mines	1-COM	AHU-1 (Ground Floor) HVAC Optimization	\$64,471	\$6,114	\$648	\$63,823	10.4
038	College of Mines	2-COM	AHU-2 (First Floor) HVAC Optimization	\$52,104	\$6,469	\$675	\$51,429	7.9
038	College of Mines	3-COM	AHU-3 (Second Floor) HVAC Optimization	\$51,664	\$6,498	\$636	\$51,029	7.9
038	College of Mines	4-COM	Building Controls	\$30,560	\$6,463	\$0	\$30,560	4.7
039	McConnell Hall	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$13,984	\$1,145	\$3,614	\$10,369	9.1
039	McConnell Hall	2-MCH	Computer Room HVAC Optimization	\$7,977	\$843	\$216	\$7,761	9.2
039	McConnell Hall	3-MCH	Restroom HVAC Optimization	\$2,344	\$1,264	\$324	\$2,020	1.6
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University of Idaho - Base Technical Audit (TA)

### **Base TA FIM Matrix**

Bld	Building Name	FIM Name	Detailed Description	Budget *	Annual Utility Savings	Potential Utility Rebate**	Net Customer Cost (including Utility Rebate)	Simple Payback (including Utility Rebate)
039	McConnell Hall	4-MCH	AC-2 HVAC Optimization	\$2,344	\$1,594	\$588	\$1,756	1.1
041	Shoup Hall	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$21,715	\$1,617	\$5,105	\$16,610	10.3



Bld#	Building Name	FIM Name	Detailed Description	Budget *	Annual Utility Savings	Potential Utility Rebate**	Net Customer Cost (including Utility Rebate)	Simple Payback (including Utility Rebate)
042	Targhee Hall	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$25,865	\$1,563	\$4,934	\$20,930	13.4
043	College of Education	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$87,606	\$9,664	\$30,504	\$57,102	5.9
043	College of Education	2-COE	Schedule AHU-1	\$84,312	\$32,398	\$28,293	\$56,019	1.7
043	College of Education	3-COE	AHU-1 Dampers	\$47,265	\$3,643	\$9,364	\$37,901	10.4
044	Industrial Education	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$13,307	\$469	\$1,481	\$11,826	25.2
044	Industrial Education	2-IED	DH-1 HVAC Optimization	\$4,297	\$1,202	\$351	\$3,946	3.3
044	Industrial Education	3-IED	Unit Heater HVAC Optimization	\$13,395	\$1,202	\$351	\$13,044	10.8
044	Industrial Education	1-IED	CF-1 and CF-2 HVAC Optimization	\$64,161	\$3,464	\$693	\$63,468	18.3
046	Campus Police Substation	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$1,952	\$296	\$933	\$1,018	3.4
046	Campus Police Substation	1-CPS	Building HVAC Optimization	\$18,248	\$473	\$913	\$17,335	36.6
047	Renfrew Hall	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$110,490	\$10,323	\$32,582	\$77,908	7.5
047	Renfrew Hall	1-REH	AHU-1	\$25,990	\$21,190	\$4,963	\$21,027	1.0
047	Renfrew Hall	2-REH	AHU-2	\$27,782	\$2,414	\$720	\$27,062	11.2
047	Renfrew Hall	3-REH	AHU-3	\$28,670	\$1,555	\$785	\$27,885	17.9
047	Renfrew Hall	4-REH	AHU-4	\$26,900	\$2,606	\$1,490	\$25,410	9.8
047	Renfrew Hall	6-REH	AHU-7	\$25,291	\$1,913	\$645	\$24,647	12.9
047	Renfrew Hall	7-REH	AHU-8	\$27,074	\$1,532	\$645	\$26,429	17.2
047	Renfrew Hall	8-REH	AHU-9	\$27,074	\$1,530	\$671	\$26,403	17.3
047	Renfrew Hall	9-REH	AHU-10	\$6,432	\$1,864	\$684	\$5,747	3.1
047 047	Renfrew Hall Renfrew Hall	10-REH 11-REH	AHU-11 AHU-12	\$26,383 \$27,074	\$1,829 \$1,221	\$770 \$659	\$25,613	14.0 21.6
047	Renfrew Hall	11-KEN 12-REH	AHU-12 AHU-13	\$27,074	\$1,221	\$685 \$685	\$26,415 \$1,888	1.6
047	Renfrew Hall	13-REH	AHU-13 AHU-14	\$28,954	\$1,103	\$754	\$28,201	18.5
048	UI Foundation Office of Dev	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$3,896	\$239	\$755	\$3,141	13.1
048	UI Foundation Office of Dev	1-FOD	Building HVAC Optimization	\$21,962	\$219	\$270	\$21,692	99.1
049	Engr. Isotopes Lab	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$4,086	\$139	\$439	\$3,647	26.2
052	Theophilous Tower	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$129,210	\$6,064	\$19,139	\$110,071	18.2



University of Idaho - Base Technical Audit (TA)

### **Base TA FIM Matrix**

Bld #	Building Name	FIM Name	Detailed Description	Budget *	Annual Utility Savings	Utility	Net Customer Cost (including Utility Rebate)	Simple Payback (including Utility Rebate)
052	Theopholous Tower	2-TTO	Heating Hot Water Controls	\$35,327	\$998	\$0	\$35,327	35.4



Bld#	Building Name	FIM Name	Detailed Description	Budget *	Annual Utility Savings	Potential Utility Rebate**	Net Customer Cost (including Utility Rebate)	Simple Payback (including Utility Rebate)
052	Theopholous Tower	1-TTO	Heating Hot Water Converter Replacement	\$96,195	\$2,731	\$0	\$96,195	35.2
053	Swimming Center	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$9,113	\$304	\$958	\$8,155	26.9
053	Swimming Center	2-SCE	AHU-4 Optimization - Retrofit Existing Unit	\$61,905	\$1,667	\$4,285	\$57,619	34.6
054	Buchanan Eng. Lab	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$173,110	\$11,978	\$37,807	\$135,304	11.3
054	Buchanan Eng. Lab	1-BEL	AHU-1 HVAC Optimization	\$121,515	\$7,228	\$18,577	\$102,938	14.2
054	Buchanan Eng. Lab	3-BEL	AHU-2 CHW	\$36,444	\$775	\$1,992	\$34,451	44.4
055	College of Natural Resources (Forestry)	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$164,518	\$21,944	\$69,262	\$95,255	4.3
055	Forestry	3-FOR	AHU-1 Heat Recovery	\$29,290	\$42,273	\$0	\$29,290	0.7
056	PE Building	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$83,624	\$4,607	\$14,540	\$69,084	15.0
056	PE Building	1-PEB	Fan 1 and 2 HVAC Optimization	\$105,331	\$4,619	\$3,457	\$101,875	22.1
056	PE Building	3-PEB	Fans 8 and 9 HVAC Optimization	\$99,932	\$3,188	\$1,680	\$98,252	30.8
056	PE Building	4-PEB	Fans 10 and 11 HVAC Optimization	\$96,919	\$1,732	\$1,040	\$95,879	55.3
056	PE Building	6-PEB	Fans 15 and 16 HVAC Optimization	\$96,919	\$2,497	\$1,298	\$95,621	38.3
056	PE Building	2-PEB	Fans 4, 5, and 6 HVAC optimization	\$235,547	\$5,021	\$3,887	\$231,660	46.1
058	Animal Pavilion	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$12,255	\$560	\$1,768	\$10,487	18.7
061	Environ. Health / Safety	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$2,808	\$144	\$454	\$2,354	16.4
063	Aquaculture Wet Lab	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$29,498	\$1,923	\$6,071	\$23,427	12.2
065	Hartung (Performing Arts)	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$10,219	\$764	\$2,411	\$7,808	10.2
065	Hartung (Performing Arts)	3-HPA	Basement H&V Unit HVAC Optimization	\$53,290	\$192	\$493	\$52,798	275.4
065	Hartung (Performing Arts)	4-HPA	Greenroom Unit HVAC Optimization	\$69,383	\$192	\$493	\$68,890	359.3
065	Hartung (Performing Arts)	5-HPA	Lobby Unit HVAC Optimization	\$64,277	\$338	\$869	\$63,408	187.5
065	Hartung (Performing Arts)	6-HPA	Costume Unit HVAC Optimization	\$66,681	\$550	\$1,414	\$65,268	118.7
065	Hartung (Performing Arts)	7-HPA	Auditorium Unit HVAC Optimization	\$68,819	\$925	\$2,378	\$66,441	71.8
065	Hartung (Performing Arts)	8-HPA	Building Controls	\$17,360	\$1,411	\$3,626	\$13,734	9.7
065	Hartung (Performing Arts)	1-HPA	Building CHW Upgrade	\$158,865	\$1,219	\$3,132	\$155,733	127.8



## University of Idaho - Base Technical Audit (TA) **Base TA FIM Matrix**

Bld#	Building Name	FIM Name	Detailed Description	Budget *	Annual Utility Savings	Potential Utility Rebate**	Net Customer Cost (including Utility Rebate)	Simple Payback (including Utility Rebate)
065	Hartung (Performing Arts)	2-HPA	Building Hot Water Upgrade	\$172,353	\$9,224	\$38,427	\$133,927	14.5
085	Arboretum Barn	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$653	\$49	\$155	\$498	10.1
090	Agricultural Publications	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$3,821	\$325	\$1,026	\$2,796	8.6
094	Early Childhood Learning Center	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$9,765	\$606	\$1,912	\$7,853	13.0
094	Early Childhood Learning Center	1-CLC	Building HVAC Optimization	\$70,970	\$3,506	\$707	\$70,263	20.0
097	Commons	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$100,480	\$5,740	\$18,119	\$82,361	14.3
097	Idaho Commons	2-IDC	SF-2 Optimization	\$67,517	\$18,916	\$8,528	\$58,989	3.1
097	Idaho Commons	3-IDC	SF-3 Optimization and KEF 1-4 Heat Recovery	\$7,919	\$26,548	\$2,979	\$4,940	0.2
097	Idaho Commons	5-IDC	Building Controls	\$2,290	\$210	\$540	\$1,750	8.3
097	Idaho Commons	1-IDC	SF-1 Optimization	\$195,633	\$16,930	\$6,152	\$189,481	11.2
099	Greenhouse 6th Street	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$917	\$28	\$88	\$829	29.8
100	Golf Clubhouse	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$3,149	\$312	\$986	\$2,163	6.9
104	Career Services	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$10,558	\$624	\$1,970	\$8,588	13.8
106	Art & Architecture Interior Design	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$2,350	\$104	\$329	\$2,021	19.4
106	Art & Architecture Interior Design	2-AAI	Building Controls	\$34,993	\$605	\$0	\$34,993	57.8
107	Navy Bldg	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$24,234	\$626	\$1,975	\$22,259	35.6
110	McClure Hall (ERB)	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$85,841	\$8,038	\$25,372	\$60,469	7.5
110	McClure Hall (ERB)	1-ERB	Supply Fan-1 Through Supply Fan-4 Optimization	\$86,807	\$6,440	\$16,551	\$70,256	10.9
110	McClure Hall (ERB)	2-ERB	Fume Exhaust Fan-1 Through Fume Exhaust Fan-4 Optimization	\$65,933	\$4,133	\$10,623	\$55,310	13.4
110	McClure Hall (ERB)	3-ERB	Return Fan-1 Through Return Fan-4 Optimization	\$54,359	\$1,835	\$4,716	\$49,642	27.1
110	McClure Hall (ERB)	6-ERB	Building Controls (Night Setback)	\$5,860	\$4,278	\$4,624	\$1,236	0.3
110	McClure Hall (ERB)	5-ERB	Process Cooling from Heat Recovery System	\$79,198	\$971	\$1,201	\$77,997	80.3
111	Engineering/ Physics	1-EPH	Schedule AC-1	\$39,610	\$3,115	\$4,703	\$34,907	11.2



## University of Idaho - Base Technical Audit (TA) **Base TA FIM Matrix**

Bld#	Building Name	FIM Name	Detailed Description	Budget *	Annual Utility Savings	Potential Utility Rebate**	Net Customer Cost (including Utility Rebate)	Simple Payback (including Utility Rebate)
111	Engineering/ Physics	2-EPH	Add VFD to AC-1	\$18,872	\$442	\$1,137	\$17,734	40.1
111	Engineering/ Physics	3-EPH	Schedule SF-1/RF-1	\$13,805	\$20,386	\$4,841	\$8,964	0.4
111	Engineering/ Physics	5-EPH	Add VFD to Heating Hot Water Pumps	\$13,805	\$854	\$2,196	\$11,609	13.6
111	Engineering/ Physics	7-EPH	Install Digital Control on Existing Manual Snow Melt System	\$11,404	\$1,261	\$3,240	\$8,164	6.5
111	Engineering/ Physics	4-EPH	Schedule SF-2/EF-1	\$157,276	\$23,573	\$3,667	\$153,609	6.5
113	Manis Ent. Res. Lab	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$4,722	\$403	\$1,272	\$3,450	8.6
113	Manis Ent. Res. Lab	1-MRL	Head house HVAC Optimization	\$50,436	\$2,458	\$6,318	\$44,118	17.9
114	Kibbie Activity Center	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$615,654	\$21,502	\$67,868	\$547,786	25.5
114	Kibbie Dome	1-KBD	Install Digital Control on (4) Existing Air Handlers	\$137,259	\$1,000	\$0	\$137,259	137.3
118	North Campus Center	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit.  See 'Scope of Work' section for further detail.	\$24,412	\$1,093	\$3,451	\$20,961	19.2
143	Student Rec Center	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$58,773	\$3,384	\$10,680	\$48,093	14.2
143	Student Rec Center	1-SRC	AHU-1 Optimization	\$16,430	\$4,233	\$4,825	\$11,605	2.7
143	Student Rec Center	2-SRC	AHU-2 Optimization	\$5,394	\$911	\$1,680	\$3,714	4.1
143	Student Rec Center	3-SRC	AHU-3, 5, and 6 Optimization	\$35,653	\$4,186	\$5,532	\$30,121	7.2
275	Bookstore	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$29,837	\$1,953	\$6,166	\$23,671	12.1
421	Art & Arch east (327 W 8th St)	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$10,855	\$655	\$2,069	\$8,786	13.4
423	Gauss-Johnson	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$76,877	\$4,429	\$13,980	\$62,897	14.2
550	Wallace Center	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$71,684	\$6,961	\$21,971	\$49,713	7.1
550	Wallace Center	5-WCE	Central Core HVAC Optimization	\$12,216	\$13,870	\$5,211	\$7,005	0.5
550	Wallace Center	8-WCE	Building Controls	\$100,292	\$1,437	\$3,694	\$96,598	67.2
550	Wallace Center	1-WCE	Dorm Wing Heating Hot Water Pumps and Controls (Wiley, Ballard, Gooding, Stevenson)	\$1,325,736 \$19,066	\$12,708	\$0	\$1,325,736	104.3
550	Wallace Center	7-WCE	Building Cooling		\$1,528	\$3,928	\$15,138	9.9
551	Wallace Dorms (Stevenson Hall)	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$44,635	\$1,567	\$4,947	\$39,688	25.3



## University of Idaho - Base Technical Audit (TA) Base TA FIM Matrix

Bld#	Building Name	FIM Name	Detailed Description	Budget *	Annual Utility Savings	Potential Utility Rebate**	Net Customer Cost (including Utility Rebate)	Simple Payback (including Utility Rebate)
552	Wallace Dorms (Ballard Hall)	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$44,535	\$1,597	\$5,039	\$39,496	24.7
553	Wallace Dorms (Wiley Hall)	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$77,263	\$2,407	\$7,598	\$69,665	28.9
554	Wallace Dorms (Gooding)	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$72,255	\$2,609	\$8,235	\$64,020	24.5
569	Elmwood Apartments	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$3,053	\$150	\$475	\$2,578	17.1
570	Graduate Student Residence	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$26,424	\$929	\$2,932	\$23,492	25.3
689	Facilities Services Center (FSC)	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$71,734	\$1,796	\$5,670	\$66,064	36.8
690	Perimeter Drive Greenhouse	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$734	\$39	\$124	\$610	15.5
691	FMO Garage/Storage	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$10,964	\$164	\$518	\$10,446	63.6
СМСР	Central Mall Chiller Plant	Lighting Upgrade	Upgrade existing lighting system to electronic ballasts, T-8 lamps, compact fluorescent lamps, and new fixtures as specified in the building lighting audit. See 'Scope of Work' section for further detail.	\$1,878	\$148	\$466	\$1,412	9.6
Totals for Selec	ted FIMs	<del></del>		\$13,445,188	\$937,899	\$1,340,454	\$12,104,734	12.9

<sup>\*</sup> Project costs for Sections B, C, and E of Table 4.1 are divided among individual FIMs proportional to each FIM's Section A cost. Therefore the budget prices shown for individual FIMs are approximate and shown for reference only. If individual FIMs are dropped from or added to the project, the project cost will not decrease or increase by exactly the dollar amount shown in this table.

<sup>\*\*</sup> Utility rebate is contingent on utility company funding and final approval and is shown for reference only.

### Project Summary - Table 4.2 FIM Matrix

### University of Idaho Phase TBD - Expanded TA

April 24, 2007

<b>Project Composi</b>	tion			ROM Cost and Savings Opinion							
Building	FIM #	FIM Name	Detailed Description	Prelim	ninary	Cost	Annual	Utility	Savings		
University of Ida	ho HVAC Contro	ol and Mechanical Upg	rade								
Campus CHW System	1	Campus CHW Thermal Storage Tank System	The chilled water thermal storage tank project consists of a 2,000,000 gallon thermal storage tank, which will be located on the "I-Tank" hill east of the existing "I-Tank" and adjacent to the existing satellite dishes. It will also include the construction of a pumphouse.	\$5,171,000	-	\$6,463,000	\$0	-	\$0		
Campus CHW and Steam Infrastructure	2a	East Campus Chilled Water Infrastructure Improvements	The East Campus chilled water infrastructure improvements project consists of a piping to improve chilled water, distribution, piping cross and loop connections.	\$470,000	-	\$587,000	\$0	-	\$0		
Campus CHW and Steam Infrastructure	2b	West Campus Chilled Water Infrastructure Improvements	The West Campus chilled water infrastructure improvements project consists of a piping to improve chilled water, distribution, piping cross and loop connections.	\$228,000	-	\$284,000	\$0	-	\$0		
Campus CHW and Steam Infrastructure	2c	East Campus Steam Infrastructure Improvements	The East Campus steam infrastructure improvements project consists of utilidors expansion and piping to improve steam, and condensate distribution, piping cross and loop connections.	\$1,320,000	-	\$1,650,000	\$0	-	\$0		
Campus CHW and Steam Infrastructure	2d	West Campus Steam Infrastructure Improvements	The West Campus steam infrastructure improvements project consists of utilidoors expansion and piping to improve steam, and condensate distribution, piping cross and loop connections.	\$1,401,000	-	\$1,751,000	\$0	-	\$0		
Steam Plant Fuel Storage Facility	3	Biomass Fuel Storage and Drying	The biomass fuel storage project consists of a new wood fuel handling, drying, and storage building at the Steam Plant for wet wood processing and storage, and a covered storage building for dry wood west of the Facilities Operations building.	\$8,944,000	-	\$11,180,000	\$75,000	-	\$75,000		
Natural Gas Energy Savings		Natural Gas Energy Savings	Account for 75% of the natural gas savings from the base scope of work	\$0	-	\$0	\$225,000	-	\$225,000		
North Chiller Plant	5	Install VFD on NCCP Chiller #4	The north chiller plant project consists of retrofitting the existing # 4 4,160 volt, 1,200 ton chiller to a 480 volt variable speed drive chiller.	\$548,000	-	\$685,000	\$92,000	-	\$92,000		
Central Mall Chiller Plant	6	Replace Absorption Chillers 1 & 2 with VFD Centrifugal Chillers	The central mall chiller plant project consists of replacing two of the existing absorption chillers with a variable speed drive controlled centrifugal chiller sized to the capacity of the cooling towers.	\$1,951,000	-	\$2,439,000	\$29,000	-	\$29,000		
	Totals for Expa	nded TA		\$20,033,000	П	\$25,039,000	\$421,000		\$421,000		

### Office of the Idaho State Board of Education Capital Project Tracking Sheet

As of May 2, 2007

#### **History Narrative**

1 Institution/Agency: University of Idaho Project: Capital Project Authorization Request, Energy Services Company Performance

Contract, University of Idaho, Moscow, Idaho

<sup>2</sup> Project Description: Engineering and construction effort to identify and implement energy saving projects on the campus of the University of Idaho,

Moscow, Idaho.

3 Project Use: Project scope includes upgrades and improvements to the lighting, HVAC and building controls within many of the buildings on

campus. In addition, steam and chilled water generation and distribution systems on campus will be evaluated for improvement.

4 Project Size: N/A

5																		
6					Soui	ces	of	Funds			Use of Funds							
7						Total Use of				se of Funds*	nds*			Total				
8		PBF			ISBA			Other		Sources		Planning		Const		Other**		Uses
9 <b>F</b>	easibility Study	\$	•	\$		-	\$	490,000	\$	490,000	\$	490,000					\$	490,000
10																		
11 II	nitial Cost of Project	\$	-	\$		-	\$	35,000,000	\$	35,000,000	\$	3,000,000	\$	30,000,000	\$	2,000,000	\$ :	35,000,000
12																		
13																		
14 <b>T</b>	otal Project Costs	\$	-	\$		-	\$	35,490,000	\$	35,490,000	\$	3,490,000	\$	30,000,000	\$	2,000,000	\$ :	35,490,000

16		* Other Sources of Funds													
17	History of Funding:	PBF		ISBA			stitutional Funds fts/Grants)	_	tudent evenue	•	Other		Total Other		Total Funding
18	Original Authorization (SBOE Exec Director), Feb 06	\$ -				\$	315,000					\$	315,000	\$	315,000
19	(UI), Feb 07					\$	175,000					\$	175,000	\$	175,000
20 21 22	SBOE Approval, Jun 07					:	\$35,000,000					\$	35,000,000	\$	35,000,000
23	Total	\$ -	\$		-	\$	35,490,000	\$	_	\$	-	\$	35,490,000	\$	35,490,000

<sup>25 \*</sup> Overall project cost estimate will be refined and improved as part of this planning process; UI will report back to the Board of Regents any resulting revisions to the project estimate and seek additional project authorization as may be required.

27 28

29 30 31

32

BAHR - SECTION II TAB 2 Page 21

<sup>26 \*\*</sup> Project Contingency

### REFERENCE – APPLICABLE STATUTE, RULE OR POLICY

Idaho State Board of Education
GOVERNING POLICIES AND PROCEDURES

SECTION: V. FINANCIAL AFFAIRS Subsection: K. Construction Projects

April 2002

### V.K.1 Major Project Approvals – Proposed Plans

Without regard to the source of funding, before any institution, school or agency under the governance of the Board begin formal planning to make capital improvements, either in the form of renovation or addition to or demolition of existing facilities, when the cost of the project is estimated to exceed five hundred thousand dollars (\$500,000), must first be submitted to the Board for its review and approval. All projects identified on the institutions', school's or agencies' six-year capital plan must receive Board approval.

#### V.K.2 Project Approvals

Without regard to the source of funding, proposals by any institution, school or agency under the governance of the Board to make capital improvements. either in the form of renovation or addition to or demolition of existing facilities, when the cost of the project is estimated to be between two hundred fifty thousand dollars (\$250,000) and five hundred thousand dollars (\$500,000), must first be submitted to the executive director for review and approval. Without regard to the source of funding, proposals by any institution, school or agency under the governance of the Board to make capital improvements, either in the form of renovation or addition to or demolition of existing facilities or construction of new facilities, when the cost of the project is estimated to exceed five hundred thousand dollars (\$500,000), must first be submitted to the Board for its review and approval. Project cost must be detailed by major category (construction cost, architecture fees, contingency funds, and other). When a project is under the primary supervision of the Board of Regents or the Board and its institutions, school or agencies, a separate budget line for architects, engineers, or construction managers and engineering services must be identified for the project cost. Budgets for maintenance, repair, and upkeep of existing facilities must be submitted for Board review and approval as a part of the annual operating budget of the institution, school or agency.

#### REFERENCE - APPLICABLE STATUTE, RULE OR POLICY - continued

#### **Idaho Statutes**

TITLE 67
STATE GOVERNMENT AND STATE AFFAIRS
CHAPTER 57
DEPARTMENT OF ADMINISTRATION
67-5711D. ENERGY SAVINGS PERFORMANCE CONTRACTS.

- (1) Definitions. As used in this section:
- (a) "Cost-savings measure" means any facility improvement, repair or alteration, or any equipment, fixture or furnishing to be added or used in any facility that is designed to reduce energy consumption and energy operating costs or increase the energy efficiency of facilities for their appointed functions that are cost effective. "Cost-savings measure" includes, but is not limited to, one (1) or more of the following:
  - (i) Procurement of low-cost energy supplies of all types, including electricity, natural gas and water;
  - (ii) Insulating the building structure or systems in the building;
  - (iii) Storm windows or doors, caulking or weather stripping, multiglazed windows or door systems, heat-absorbing or heat-reflective glazed and coated window and door systems, additional glazing, reductions in glass area or other window and door system modifications that reduce energy consumption;
  - (iv) Automated or computerized energy control systems;
  - (v) Heating, ventilation or air conditioning system modifications or replacements;
  - (vi) Replacing or modifying lighting fixtures to increase the energy efficiency of the lighting system;
  - (vii) Energy recovery systems;
  - (viii) Cogeneration systems that produce steam or forms of energy such as heat, as well as electricity, for use primarily within a building or complex of buildings;
  - (ix) Installing new or modifying existing day lighting systems;
  - (x) Installing or modifying renewable energy and alternate energy technologies;
  - (xi) Building operation programs that reduce energy costs including, but not limited to, computerized programs, training and other similar activities;
  - (xii) Steam trap improvement programs that reduce energy costs;
  - (xiii) Devices that reduce water consumption; and
  - (xiv) Any additional building infrastructure improvements that produce energy cost savings, significantly reduce energy consumption or increase the energy efficiency of the facilities for their appointed functions and are in compliance with all applicable state building codes.

- (b) "Director" means the director of the department of administration or the director's designee.
- (c) "Energy cost savings" means any expenses that are eliminated or avoided on a long-term basis as a result of equipment installed or modified, or services performed by a qualified energy service company or qualified provider, but does not include merely shifting personnel costs or similar short-term cost savings.
- (d) "Financial grade energy audit" means a comprehensive building energy systems audit performed by a professional engineer licensed in the state of Idaho for the purpose of identifying and documenting feasible energy and resource conservation measures and cost-savings factors.
- (e) "Performance contract" means a contract between the director or the public entity and a qualified provider or a qualified energy service company for evaluation, recommendation and implementation of one (1) or more cost-savings measures. A performance contract may be structured as either:
  - (i) A guaranteed energy savings performance contract, which shall include, at a minimum, the design and installation of equipment and, if applicable, operation and maintenance of any of the measures implemented. Guaranteed annual savings must meet or exceed the total annual contract payments made by the director or the user agency or the public entity for such contract, including financing charges to be incurred over the life of the contract; or
  - (ii) A shared savings contract, which shall include provisions mutually agreed upon by the director and the qualified provider or qualified energy service company as to the rate of payments based upon energy cost savings and a stipulated maximum energy consumption level over the life of the contract.
- (f) "Person" means an individual, corporation, partnership, firm, association, limited liability company, limited liability partnership or other such entity as recognized by the state of Idaho.
- (g) "Public entity" means the cities, counties and school districts or any political subdivision within the state of Idaho.
- (h) "Qualified energy service company" means a person with a record of established projects or with demonstrated technical, operational, financial and managerial capabilities to implement performance contracts and who currently holds an Idaho public works contractor license.
- (i) "Qualified provider" means a person who is experienced in the design, implementation and installation of energy efficiency and facility improvement measures, who has the ability to secure necessary financial measures to support energy savings guarantees and the technical capabilities to ensure such measures generate energy cost savings, and who currently holds an Idaho public works contractor license.
- (2) Performance contracts. The director of the department of administration, subject to the approval of the permanent building fund advisory council, or any Idaho public entity may enter into a performance contract with a qualified provider or qualified energy service company to reduce energy consumption or energy operating costs. Cost-savings measures implemented under such contracts shall comply with all applicable state and local building codes.

- (3) Requests for qualifications. The director of the department of administration or the public entity shall request qualifications from qualified providers and qualified energy service companies inviting them to submit information describing their capabilities in the areas of:
- (a) Design, engineering, installation, maintenance and repairs associated with performance contracts;
- (b) Experience in conversions to a different energy or fuel source, soling as it is associated with a comprehensive energy efficiency retrofit;
  - (c) Post installation project monitoring, data collection and reporting of savings;
  - (d) Overall project experience and qualifications;
  - (e) Management capability;
  - (f) Ability to assess the availability of long-term financing;
  - (g) Experience with projects of similar size and scope; and
- (h) Other factors determined by the director or the public entity to be relevant and appropriate relating to the ability of the qualified provider or qualified energy service company to perform the project.
- (4) Notice. Adequate public notice of the request for qualifications shall be given at least fourteen (14) days prior to the date set forth therein for the opening of the responses to the request for qualifications. Such notice may be provided electronically or by publication in a newspaper of general circulation in the area where the work is located.
- (5) Public inspection. All records of the department or an agency or the public entity relating to the award of a performance contract shall be open to public inspection in accordance with the provisions of sections 9-337 through 9-347 and 67-5725, Idaho Code.
  - (6) Award of performance contract.
- (a) The director or public entity shall select up to three (3) qualified providers or qualified energy service companies who have responded to the request for qualifications. Factors to be considered in selecting the successful qualified provider or qualified energy service company shall include, but not be limited to:
  - (i) Fee structure:
  - (ii) Contract terms;
  - (iii) Comprehensiveness of the proposal and cost-savings measures;
  - (iv) Experience of the qualified provider or qualified energy service company;
  - (v) Quality of the technical approach of the qualified provider or qualified energy service company; and
  - (vi) Overall benefits to the state or the public entity.
- (b) Notwithstanding the provisions of section 67-5711C, Idaho Code, the director or the public entity may, following the request for qualifications and the expiration of the specified notice period, award the performance contract to the qualified provider or qualified energy service company which best meets the needs of the project and whose proposal may or may not represent the lowest cost among the proposals submitted pursuant to this section.
- (c) Upon award of the performance contract, the successful qualified provider or qualified energy service company shall prepare a financial grade energy audit which,

upon acceptance by the director or the public entity, shall become a part of the final performance contract.

- (7) Installment payment and lease-purchase agreements. Pursuant to this section, the director or the public entity may enter into a performance contract, payments for which shall be made by the user agency or public entity. Such performance contracts may be financed as installment payment contracts or lease-purchase agreements for the purchase and installation of cost-savings measures. Financing implemented through another person other than the qualified provider or qualified energy service company is authorized.
  - (8) Terms of performance contract.
- (a) Each performance contract shall provide that all payments between parties, except obligations upon termination of the contract before its expiration, shall be made over time and that the objective of such performance contract is the implementation of cost-savings measures and energy cost savings.
- (b) A performance contract, and payments provided hereunder, may extend beyond the fiscal year in which the performance contract becomes effective, subject to appropriation by the legislature or by the public entity, for costs incurred in future fiscal years. The performance contract may extend for a term not to exceed twenty-five (25) years. The permissible length of the contract may also reflect the useful life of the cost-savings measures.
- (c) Performance contracts may provide for payments over a period of time not to exceed deadlines specified in the performance contract from the date of the final installation of the cost-savings measures.
- (d) Performance contracts entered pursuant to this section may be amended or modified, upon agreement by the director or the public entity and the qualified provider or qualified energy service company, on an annual basis.
- (9) Monitoring and reports. During the term of each performance contract, the qualified provider or qualified energy service company shall monitor the reductions in energy consumption and cost savings attributable to the cost-savings measures installed pursuant to the performance contract and shall annually prepare and provide a report to the director or the public entity documenting the performance of the cost-savings measures.

## INSTITUTION / AGENCY AGENDA UNIVERSITY OF IDAHO

#### **SUBJECT**

Authorization for issuance of tax-exempt refunding and general revenue bonds to refund certain outstanding bonds of the University and to construct ESCO project.

#### REFERENCE

April 2007 Future Financing Plan Under a Single Bond System

June 2007 Capital Project Authorization Request, Energy

Services Performance Contract

August 2007 Selection of Bond Counsel and Investment Banker

### APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Section V.F. Section 33-3804, Idaho Code

#### **BACKGROUND**

The University of Idaho requests Regents approval to issue up to \$70,000,000 in tax-exempt general refunding bonds (Series 2007A) to refund selected maturities of the following Student Fee Revenue Bonds: Series 1999, Recreation Center Project; Series 1999A, Elmwood Apartments Acquisition Project; Series 1999B, Sweet Avenue and University Campus Improvement Projects; and Series 2001, University Housing Improvement Project; and, approval to issue up to \$40,000,000 in tax-exempt general revenue bonds (Series 2007B) to construct energy savings improvements (ESCO Project). The Series 2007A refunding will result in net present value (NPV) savings of approximately \$5,700,000. The cost of issuance will be paid from the bond proceeds.

### **DISCUSSION**

#### Refunding

The University, with the assistance of its bond underwriter, periodically reviews outstanding bond issues to assess when it is advisable to refinance bonds to take advantage of savings that may be available due to lower interest rates. In the event market conditions do not result in substantial savings, the University will not issue the refunding bonds.

Discussions and analysis with UI's bond underwriter has indicated significant savings of approximately \$5,700,000 in net present value (NPV) savings and an average NPV savings as a percentage of refunded par (bond value) of about 9.5%.

## INSTITUTION / AGENCY AGENDA UNIVERSITY OF IDAHO - continued

#### <u>Project</u>

The energy savings improvements project (ESCO Project) will produce several positive outcomes for UI. These include: estimated annual energy operational savings of about \$920,000 for the base Technical Audit (TA) and an additional \$420,000 for the expanded TA; net carbon reductions of about 12.2 million tons; capital avoidance of about \$5.5 million, addressing about \$5.7 million in deferred maintenance and capital repairs; improvement in occupant comfort related to lighting and HVAC retrofits; and standardization of campus system related to lighting, HVAC, and controls.

The University expects to start construction in the spring of 2008 with all construction completed by fall 2011. Times to completion vary by the subproject: the lighting improvements will be installed in about 6 to 9 months, the building level HVAC and controls about 12 to 18 months, and the central plant and distribution improvements up to 36 months. Significant savings will be realized within the first year of the project as they relate primarily to the building level lighting, HVAC, and controls portion (base TA) of the project.

#### Bonds

The University will issue two bond series: the Revenue Refunding Bonds, Series 2007A for up to \$70,000,000 and Revenue Bonds, Series 2007B for up to \$40,000,000. The bonds will be insured to "AAA" by FSA and Dexia will provide the liquidity facility.

#### Rate and Term

The University is issuing multi-modal bonds for Series 2007. The Series 2007A will have an initial fixed term of 4.5 years and the Series 2007B will have an initial fixed term of 10.5 years. At the end of the respective terms, each series of the Series 2007 Bonds will be subject to mandatory tender for purchase and may be converted to a weekly interest rate or a different term interest rate period.

The University's Investment Banker will monitor interest rates so that the University may select the mode that affords the greatest balance between interest rate savings and interest rate risk. It should be noted that in the unlikely event interest rates did raise over a sustained period of time, thus increasing University debt expense, the University's cash and shorter term fixed-income investments would also enjoy higher yields that could partially offset such an exposure to future interest rates. This is what is termed a "natural hedge", which the University would enjoy by virtue of its investments.

## INSTITUTION / AGENCY AGENDA UNIVERSITY OF IDAHO - continued

#### Maturities

Final maturities for the Series 2007 Bonds are set for 2041(33.5 years).

### **Security**

Both bond series will be issued as part of the General Revenue Bond System and secured by pledged revenues to include student fees, sales and service revenues from auxiliary enterprises and educational activities, revenues received for facility and administrative cost recovery in conjunction with grants and contracts, various miscellaneous revenues, and certain investment income.

#### Ratings

Moody's Investors Service and Standard & Poor's each have affirmed UI's ratings of "A1" and "A+" respectively with stable outlook.

#### **IMPACT**

The University is anticipating lower interest rates, depending on market conditions, resulting in net present value and nominal value savings for the Series 2007A bonds. The exact amount of savings will be determined when the bonds are priced. The Series 2007B bonds will result in increased debt service. The University has an approved student fee for FY08 which includes a \$40 per semester facility fee for the purposes of maintaining excellent debt service fundamentals. The ratings agencies have reaffirmed the University's ability to issue this debt by maintaining Ul's A1/A+ rating for both Bond Series.

#### **ATTACHMENTS**

Attachment 1 – Ten Year Debt Projection	Page 7
Attachment 2 – Ten Year Debt Projection Series 2007 Only	Page 9
Attachment 3 – Preliminary Official Statement	Page 11
Attachment 4 – Supplemental Resolution	Page 123
Attachment 5 – Bond Purchase Agreement	Page 193
Attachment 6 – Remarketing Agreement	Page 215
Attachment 7 – Continuing Disclosure Agreement	Page 227
Attachment 8 – Standby Bond Purchase Agreement	Page 233
Attachment 9 – Escrow Agreement	Page 291
Attachments 10a & 10b – Opinions of Bond Counsel	Page 321
Attachments 11a & 11b – Rating Agency Reports	Page 329

## INSTITUTION / AGENCY AGENDA UNIVERSITY OF IDAHO - continued

#### STAFF COMMENTS AND RECOMMENDATIONS

On Page 9, the University presents its 10 year debt projection including other capital projects starting in 2008 and 2010. On Page 11, the University presents its 10 year debt projection for the Series 2007A bonds (Refunding Bonds) and the Series 2007B bonds (ESCO project). Both projections show the debt service from new bonds plus the existing debt service resulting in a total projected debt service. The projections also show the balance of the Facilities Fee Reserve with reductions for paying debt service and increases from the Student Facility Fee over the next four years, pledges for debt service and energy savings.

Both projections require a new student facility fee of \$40 in FY08, \$50 in FY09, \$60 in FY10, \$70 in FY11, and \$80 in FY12 per semester. The \$100 in FY09 would be a 2.3% increase.

The University estimates its debt service ratio as a percentage of operating budget to stay below 4.0% and including this project with additional anticipated projects in 2008 and 2010 results in a debt service ratio not more than 4.30%.

Staff recommends approval of the bonds provided the Board supports the ESCO project in Tab 2.

#### **BOARD ACTION**

A motion to approve a Supplemental Resolution for the Series 2007A Bonds, the title is of which is as follows:

A SUPPLEMENTAL RESOLUTION of the Regents of the University of Idaho authorizing the issuance and sale of Adjustable Rate General Revenue Refunding Bonds, Series 2007A, in the principal amount of up to \$70,000,000 (the "Series 2007A Bonds"), authorizing the execution and delivery of a Bond Purchase Agreement and providing for other matters relating to the authorization, issuance, sale and payment of the Series 2007A Bonds.

Moved by	Seconded by	Carried Yes	No
[Roll call vote required	7		

## INSTITUTION / AGENCY AGENDA UNIVERSITY OF IDAHO - continued

A motion to approve a Supplemental Resolution for the Series 2007B Bonds, the title is of which is as follows:

A SUPPLEMENTAL RESOLUTION of the Regents of the University of Idaho authorizing the issuance and sale of Adjustable Rate General Revenue Bonds, Series 2007B, in the principal amount of up to \$40,000,000 (the "Series 2007B Bonds"), authorizing the execution and delivery of a Bond Purchase Agreement and providing for other matters relating to the authorization, issuance, sale and payment of the Series 2007B Bonds.

Moved by	Seconded by	Carried Yes	No	
[Roll call vote red	auired 1			

#### University of Idaho 10 Year Debt Projection 30-Aug-2007

			FY2008 Est	FY2009 Est	FY2010 Est	FY2011 Est	FY2012 Est	FY2013 Est	FY2014 Est	FY2015 Est	FY2016 Est	FY2017 Est	Total
	Project	Est Debt	•	•	•		•				•		<u> </u>
1 New Projects & Issues	Cost	Financed						Annual Debt Se	rvice				
2 Refunding Bonds Series 2007A	\$	67,560,000	\$ 1,239,722	\$ 3,420,750	\$ 4,345,406	\$ 4,348,718	\$ 4,507,191	\$ 4,513,353	\$ 4,526,362	\$ 4,540,847	\$ 4,556,621	\$ 4,568,500	\$ 40,567,470
3 ESCO	\$35,000,000 \$	35,000,000											
4 General Revenue Bonds Series 2007B	\$	38,380,000	\$ 764,668	\$ 1,823,050	\$ 1,823,050	\$ 1,823,050	\$ 1,823,050	\$ 1,823,050	\$ 1,823,050	\$ 2,023,050	\$ 2,013,550	\$ 2,004,050	\$ 17,743,618
5 Kibbie Dome Life Safety	\$14,000,000 \$	14,000,000											
6 Wallace Residence Center Improvements	\$20,000,000 \$	20,000,000											
7 General Revenue Bonds Series 2008	\$	34,000,000		\$ 917,975	\$ 1,835,951	\$ 1,835,951	\$ 1,835,951	\$ 1,835,951	\$ 1,835,951	\$ 1,835,951	\$ 2,035,951	\$ 2,025,951	\$ 15,995,583
8 Brink/Phinney Renovations	\$25,000,000 \$	25,000,000											
9 Research Infrastructure Improvements	\$20,000,000 \$	20,000,000											
10 General Revenue Bonds Series 2010	\$	45,000,000				\$ 1,225,757	\$ 2,451,515	\$ 2,451,515	\$ 2,451,515	\$ 2,451,515	\$ 2,451,515	\$ 2,451,515	\$ 15,934,847
11 Total New Issues	\$	184,940,000	\$ 2,004,390	\$ 6,161,775	\$ 8,004,407	\$ 9,233,476	\$ 10,617,707	\$ 10,623,869	\$ 10,636,878	\$ 10,851,363	\$ 11,057,637	\$ 11,050,016	\$ 90,241,518
12 Existing Debt Service			\$8,225,628	\$8,219,380	\$7,301,061	\$6,804,949	\$5,545,954	\$5,546,774	\$5,539,394	\$5,540,324	\$5,537,891	\$3,394,076	
13 Total Projected Debt Service		•	\$ 10,230,018	\$ 14,381,155	\$ 15,305,468	\$ 16,038,425	\$ 16,163,661	\$ 16,170,643	\$ 16,176,272	\$ 16,391,687	\$ 16,595,528	\$ 14,444,092	
		:											
14 Beginning Facilities Fee Reserve			\$0	\$2,379,065	\$2,421,999	\$3,029,879	\$3,574,496	\$5,511,179	\$8,274,101	\$11,872,047	\$15,745,407	\$19,835,448	\$0
15 Debt Service			-\$10,230,018	-\$14,381,155	-\$15,305,468	-\$16,038,425	-\$16,163,661	-\$16,170,643	-\$16,176,272	-\$16,391,687	-\$16,595,528	-\$14,444,092	-\$151,896,949
16 Student Facility Fee (SFF) Revenue - New			\$689,040	\$1,558,092	\$2,609,804	\$3,846,851	\$5,271,934	\$6,004,733	\$6,744,728	\$7,135,212	\$8,425,793	\$9,008,428	\$51,294,612
17 Student Facility Fee (SFF) Revenue - Prior			\$4,655,327	\$4,678,603	\$4,701,996	\$4,725,506	\$4,749,134	\$4,772,879	\$4,796,744	\$4,820,727	\$3,858,834	\$3,788,044	\$45,547,794
18 Pledges for Debt Service			\$7,264,716	\$7,264,538	\$7,257,548	\$6,599,486	\$6,597,516	\$6,600,106	\$6,599,106	\$6,593,786	\$6,599,853	\$4,448,788	\$65,825,443
19 Energy Savings - ESCO Project			\$0	\$922.857	\$1,344,000	\$1,411,200	\$1,481,760	\$1,555,848	\$1,633,640	\$1,715,322	\$1.801.088	\$1,891,143	\$13,756,858
20 Ending Facilities Fee Reserve		•	\$2,379,065	\$2,421,999	\$3,029,879	\$3,574,496	\$5,511,179	\$8,274,101	\$11,872,047	\$15,745,407	\$19,835,448	\$24,527,758	\$24,527,758
· ·		:											
21 Operating Budget			\$351,530,078	\$358.560.679	\$365.731.893	\$373.046.531	\$380,507,461	\$388.117.610	\$395.879.963	\$403 797 562	\$411,873,513	\$420 110 983	
		=	<del>400.,000,070</del>	<del>+++++++++++++++++++++++++++++++++++++</del>	4000,.01,000	\$5.5,040,001	\$555,507,401	4000,111,010	<del>+000,010,000</del>	ψ.:cc,ror,cc2	ψ, <i>510</i> ,010	<b>\$ .23,110,000</b>	
22 Debt Service as % of Operating Budget			2.91%	4.01%	4.18%	4.30%	4.25%	4.17%	4.09%	4.06%	4.03%	3.44%	
22 Debt Service as % of Operating Budger		:	2.91%	4.01%	4.10%	4.30%	4.25%	4.17%	4.09%	4.00%	4.03%	3.44%	

#### 23 Assumptions:

TAB 3 Page 7 **BAHR - SECTION II** 

<sup>24 1.</sup> Average annual operating budget growth of 2%
25 2. No new state funding for academic buildings
26 3. Student enrollment growth of about .5% annually
27 4. New per semester SFF fee of \$40 in FY08, \$50 in FY09, \$60 in FY10, \$70 in FY11, \$80 in FY12

#### University of Idaho 10 Year Debt Projection - 2007A & B Only 30-Aug-2007

			FY2008 Est	FY2009 Est	FY2010 Est	FY2011 Est	FY2012 Est	FY2013 Est	FY2014 Est	FY2015 Est	FY2016 Est	FY2017 Est	Total
1 Series 2007 Bonds Only	Project Cost	Est Debt Financed						Annual Debt Se	rvice				
2 Refunding Bonds Series 2007A		\$ 67,560,000	\$ 1,239,722	\$ 3,420,750	\$ 4,345,406	\$ 4,348,718	\$ 4,507,191	\$ 4,513,353	\$ 4,526,362	\$ 4,540,847	\$ 4,556,621	\$ 4,568,500	\$ 40,567,470
4 General Revenue Bonds Series 2007B		\$ 38,380,000	\$ 764,668	\$ 1,823,050	\$ 1,823,050	\$ 1,823,050	\$ 1,823,050	\$ 1,823,050	\$ 1,823,050	\$ 2,023,050	\$ 2,013,550	\$ 2,004,050	\$ 17,743,618
11 Total New Issues		\$ 105,940,000	\$ 2,004,390	\$ 5,243,800	\$ 6,168,456	\$ 6,171,768	\$ 6,330,241	\$ 6,336,403	\$ 6,349,412	\$ 6,563,897	\$ 6,570,171	\$ 6,572,550	\$ 58,311,088
12 Existing Debt Service			\$8,225,628	\$8,219,380	\$7,301,061	\$6,804,949	\$5,545,954	\$5,546,774	\$5,539,394	\$5,540,324	\$5,537,891	\$3,394,076	
13 Total Projected Debt Service			\$10,230,018	\$13,463,180	\$13,469,517	\$12,976,717	\$11,876,195	\$11,883,177	\$11,888,806	\$12,104,221	\$12,108,062	\$9,966,626	
<ul> <li>14 Beginning Facilities Fee Reserve</li> <li>15 Debt Service</li> <li>16 Student Facility Fee (SFF) Revenue - New</li> <li>17 Student Facility Fee (SFF) Revenue - Prior</li> <li>18 Pledges for Debt Service</li> <li>19 Energy Savings - ESCO Project</li> <li>20 Ending Facilities Fee Reserve</li> </ul>			\$0 -\$10,230,018 \$689,040 \$4,655,327 \$7,264,716 \$0 \$2,379,065	\$2,379,065 -\$13,463,180 \$689,040 \$4,678,603 \$7,264,538 \$922,857 \$2,470,923	\$2,470,923 -\$13,469,517 \$689,040 \$4,701,996 \$7,257,548 \$1,344,000 \$2,993,990	\$2,993,990 -\$12,976,717 \$689,040 \$4,725,506 \$6,599,486 \$1,411,200 \$3,442,505	\$3,442,505 -\$11,876,195 \$689,040 \$4,749,134 \$6,597,516 \$1,481,760 \$5,083,759	\$5,083,759 -\$11,883,177 \$689,040 \$4,772,879 \$6,600,106 \$1,555,848 \$6,818,455	\$6,818,455 -\$11,888,806 \$689,040 \$4,796,744 \$6,599,106 \$1,633,640 \$8,648,179	\$8,648,179 -\$12,104,221 \$689,040 \$4,820,727 \$6,593,786 \$1,715,322 \$10,362,834	\$10,362,834 -\$12,108,062 \$1,636,470 \$3,858,834 \$6,599,853 \$1,801,088 \$12,151,017	\$12,151,017 -\$9,966,626 \$1,722,600 \$3,788,044 \$4,448,788 \$1,891,143 \$14,034,966	\$0 -\$119,966,519 \$8,871,390 \$45,547,794 \$65,825,443 \$13,756,858 \$14,034,966
21 Operating Budget			\$351,530,078	\$351,530,078	\$351,530,078	\$351,530,078	\$351,530,078	\$351,530,078	\$351,530,078	\$351,530,078	\$351,530,078	\$351,530,078	
22 Debt Service as % of Operating Budge			2.91%	3.83%	3.83%	3.69%	3.38%	3.38%	3.38%	3.44%	3.44%	2.84%	

#### 23 Assumptions:

- 24 1. Average annual operating budget growth of 0%
- 25 2. No new state funding for academic buildings 26 3. Student enrollment growth of about 0% annually 27 4. New per semester SFF fee of \$40

**BAHR - SECTION II** TAB 3 Page 9

#### PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER \_\_\_, 2007

**NEW ISSUE – BOOK ENTRY ONLY** 

Ratings: \_\_\_\_\_

Underlying Rating: S&P: "A+" Moody's: "A1"

**Insured by: Financial Security** 

Assurances Inc.

**Price: 100%** 

See "RATINGS" herein

In the opinion of Skinner Fawcett, Boise, Idaho, and Ballard Spahr Andrews & Ingersoll, LLP, Salt Lake City, Utah, as Co-Bond Counsel to the Regents, based on an analysis of currently existing laws, regulations, decisions and interpretations, and assuming, among other matters, continuing compliance with certain covenants, interest on the Series 2007 Bonds is excludable from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations, but such interest is included in earnings and profits in computing the federal alternative minimum tax imposed on certain corporations. Co-Bond Counsel are also of the opinion that, under currently existing law, interest on the Series 2007 Bonds is exempt from State of Idaho income taxes. Co-Bond Counsel express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2007 Bonds. See "TAX EXEMPTION" herein.

\$\_\_\_\_\_\*

[LOGO]

### THE REGENTS OF THE UNIVERSITY OF IDAHO Adjustable Rate General Revenue Bonds

consisting of

Revenue Refunding Bonds, Series 2007A

Revenue Bonds, Series 2007B

Initial Term Interest Rate Period Ending: April 1, 2011 Initial Term Interest Rate: \_\_\_\_\_%

Due: April 1, 2041 CUSIP: † Initial Term Interest Rate Period Ending: April 1, 2018 Initial Term Interest Rate: \_\_\_\_\_% Due: April 1, 2041

Due: April 1, 2041 CUSIP: †

**Dated: Date of Delivery** 

**Denominations:** \$5,000 and integral multiples thereof during the Initial Term Interest Rate Periods, and thereafter as described herein.

**Registration/Book-Entry:** The Regents of the University of Idaho Adjustable Rate General Revenue Refunding Bonds, Series 2007A (the "Series 2007A Bonds") and Adjustable Rate General Revenue Bonds, Series 2007B (the "Series 2007B Bonds" and, together with the Series 2007A Bonds, the "Series 2007 Bonds") are issued as fully registered bonds and, when delivered, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2007 Bonds. Beneficial Owners of the Series 2007 Bonds will not receive physical bonds, but will receive a credit balance on the books of the nominees of such purchasers.

**Initial Term Interest Rates:** Each Series of the Series 2007 Bonds will initially bear interest at a Term Interest Rate (as shown above) during the Initial Term Interest Rate Period (as shown above). The interest on each Series of the Series 2007 Bonds during the Initial Term Interest Rate Period will be payable on each April 1 and October 1, commencing April 1, 2008. Each Series of the Series 2007 Bonds will be subject to mandatory tender

for purchase on the last day of the respective Initial Term Interest Rate Period, and, upon mandatory tender, may be converted to a Weekly Interest Rate Period or another Term Interest Rate Period as more fully described herein.

This Official Statement provides certain information concerning each Series of the Series 2007 Bonds prior to conversion to a Weekly Interest Rate Period or another Term Interest Rate Period. Owners and prospective purchasers of a Series of the Series 2007 Bonds should not rely on this Official Statement for information concerning such Series of the Series 2007 Bonds in connection with any conversion of such Series to a Weekly Interest Rate Period or another Term Interest Rate Period but should look solely to the Official Statement or remarketing circular used in connection with any such conversion.

**Payment:** Principal, premium, if any, and interest due with respect to the Series 2007 Bonds will be payable by Wells Fargo Bank, N.A., Boise, Idaho, as Trustee (the "**Trustee**"), to DTC, which will, in turn, remit such principal, premium, if any, and interest due with respect to the Series 2007 Bonds.

**Redemption and Tender:** During the respective Initial Term Interest Rate Period, the Series 2007 Bonds will not be subject to optional redemption. The Series 2007 Bonds are subject to mandatory sinking fund redemption prior to maturity as more fully described herein. The Series 2007 Bonds of each Series are also subject to mandatory tender for purchase prior to maturity on the last day of the respective Initial Term Interest Rate Period.

**Authority:** Article IX, Section 10 of the Constitution of the State of Idaho confirmed the Regents of the University of Idaho (the "**Regents**") as the governing body for the University of Idaho (the "**University**"). Under Idaho law, the Regents are a body politic and corporate and an independent instrumentality of the State of Idaho. The Series 2007 Bonds are being issued as "Additional Bonds" pursuant to a Resolution adopted by the Regents on November 22, 1991, providing for the issuance of revenue bonds (the "**Original Resolution**"). The Original Resolution provided for the issuance of an initial series of facility revenue bonds and authorized the issuance of additional series of revenue bonds pursuant to Supplemental Resolutions, if certain conditions are met. The Series 2007 Bonds are being issued under a supplemental resolution (the "**2007 Supplemental Resolution**") adopted by the Regents on [October 11, 2007]. The Original Resolution, as previously restated, amended and supplemented and as amended and supplemented by the 2007 Supplemental Resolution, is referred to herein as the "**Resolution**." The revenue bonds issued pursuant to the Resolution, including the Series 2007 Bonds, are referred to herein as the "**Bonds**."

**Purpose:** The Series 2007 Bonds are being issued to provide funds to refund certain outstanding bonds issued by the Regents, to finance certain capital improvements at the University's Moscow campus, and to pay costs of issuance associated with the Series 2007 Bonds. [Note: A Debt Service Reserve Account for the Series 2007 Bonds will be funded with the Series 2007 Bonds proceeds if, prior to the issuance of the Series 2007 Bonds, consents to the amendments of certain existing covenants contained in the Resolution are not obtained from insurance companies insuring Outstanding Bonds which were issued prior to certain Series 2005A Bonds, as described herein.]

**Security:** The Series 2007 Bonds are being issued as part of the General Revenue Bond System created by the Regents in 2005 and are secured by "**Pledged Revenues**" as defined herein. The lien of the Series 2007 Bonds on the Pledged Revenues is on a parity with certain Bonds previously issued by the Regents under the Resolution which, following the issuance of the Series 2007 Bonds, will be Outstanding in the aggregate principal amount of \$54,770,000\* and is subordinate to a prior lien on certain Pledged Revenues granted in favor of certain bonds of the Regents which, following the issuance of the Series 2007 Bonds, will be Outstanding in the aggregate principal amount of \$5,830,000\*, as more specifically described herein. The Pledged Revenues include student fees, sales and service revenues from auxiliary enterprises and educational activities, revenues received for facility and administrative cost recovery in conjunction with grants and contracts, various miscellaneous revenues, and certain investment income. **The Series 2007 Bonds are limited** 

obligations of the Regents and do not constitute a debt or liability of the State of Idaho, its Legislature, or any of its political subdivisions or agencies other than the Regents to the extent herein described. The Regents are not authorized to levy or collect any taxes or assessments other than the fees described herein to pay the Series 2007 Bonds. The Regents have no taxing power.

**Bond Insurance:** The scheduled payment of principal of and interest on the Series 2007 Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2007 Bonds by FINANCIAL SECURITY ASSURANCE INC.

#### [FSA LOGO]

**Initial Liquidity Facility:** Payment of the purchase price for each Series of the Series 2007 Bonds tendered for purchase on a mandatory tender date and not remarketed will be supported by a standby bond purchase agreement provided by Dexia Credit Local, acting through its New York Branch (the "**Initial Liquidity Facility Provider**") with respect to each such Series of the Series 2007 Bonds (collectively, the "**Initial Liquidity Facility**"). Each Initial Liquidity Facility is scheduled to expire on October \_\_\_, 2019 unless extended or terminated earlier as described herein. Upon the occurrence of certain events, the obligation of the Initial Liquidity Facility Provider to pay the purchase price may be terminated or suspended. Owners of the Series 2007 Bonds may have no opportunity to tender for purchase the Series 2007 Bonds as a result of such termination. The Initial Liquidity Facility does not provide security for the payment of principal, premium, if any, and interest with respect to the Series 2007 Bonds, and the funds drawn thereunder may not be used for such purposes.

**Legal Matters:** The Series 2007 Bonds are offered when, as and if issued and accepted by the Underwriter, subject to prior sale and to the delivery of an approving opinion by Skinner Fawcett, Boise, Idaho and Ballard Spahr Andrews & Ingersoll, LLP, Salt Lake City, Utah, as Co-Bond Counsel, and to other conditions. Certain legal matters will be passed upon for the Regents and the University by the University's Counsel, Kent E. Nelson, Esq., Moscow, Idaho; for the Initial Liquidity Facility Provider by Sidley Austin, LLP, Los Angeles, California, and for the Underwriter by Hogan & Hartson LLP, Denver, Colorado. It is expected that the Series 2007 Bonds will be available for delivery on or about October \_\_\_\_, 2007.

#### **GEORGE K. BAUM & COMPANY**

Dated: October , 2007

<sup>\*</sup> Preliminary, subject to change

<sup>†</sup> The Regents take no responsibility for the accuracy of the CUSIP numbers, which are being provided solely for the convenience of the owners of the Series 2007 Bonds.

NO DEALER, BROKER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY THE REGENTS, BY THE UNDERWRITER OR BY THE INITIAL LIQUIDITY FACILITY PROVIDER TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS, OTHER THAN AS CONTAINED IN THIS OFFICIAL STATEMENT, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE REGENTS, THE UNDERWRITER OR THE INITIAL LIQUIDITY FACILITY PROVIDER. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE SERIES 2007 BONDS, NOR SHALL THERE BE ANY SALE OF THE SERIES 2007 BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSONS TO MAKE SUCH OFFER, SOLICITATION OR SALE.

THE INFORMATION SET FORTH HEREIN HAS BEEN FURNISHED BY THE REGENTS, THE UNIVERSITY, DTC, FINANCIAL SECURITY, INITIAL LIQUIDITY FACILITY PROVIDER AND CERTAIN OTHER SOURCES THAT ARE BELIEVED TO BE RELIABLE BUT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS BY, AND IS NOT TO BE CONSTRUED AS A REPRESENTATION BY, THE UNDERWRITER. THE INFORMATION AND EXPRESSIONS OF OPINION CONTAINED HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE. THE DELIVERY OF THIS OFFICIAL STATEMENT AND ANY SALE MADE HEREUNDER WILL NOT, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE REGENTS, THE UNIVERSITY, OR THE INITIAL LIQUIDITY FACILITY PROVIDER SINCE THE DATE HEREOF. ANY STATEMENTS MADE IN THIS OFFICIAL STATEMENT INVOLVING MATTERS OF OPINION OR ESTIMATES, WHETHER OR NOT SO EXPRESSLY STATED, ARE SET FORTH AS SUCH AND NOT AS REPRESENTATIONS OF FACT OR REPRESENTATIONS THAT ESTIMATES WILL BE REALIZED.

OTHER THAN WITH RESPECT TO INFORMATION CONCERNING FINANCIAL SECURITY ASSURANCE INC. ("FINANCIAL SECURITY") CONTAINED UNDER THE CAPTION "BOND INSURANCE" AND "APPENDIX F – MUNICIPAL BOND INSURANCE POLICY" HEREIN, NONE OF THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED OR VERIFIED BY FINANCIAL SECURITY AND FINANCIAL SECURITY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO (I) THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION; (II) THE VALIDITY OF THE SERIES 2007 BONDS; OR (III) THE TAX EXEMPT STATUS OF THE INTEREST ON THE SERIES 2007 BONDS.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2007 BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THIS OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A CONTRACT WITH THE PURCHASERS OF THE SERIES 2007 BONDS.

THE UNDERWRITER HAS INCLUDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THE SERIES 2007 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON A SPECIFIC EXEMPTION CONTAINED IN SUCH ACT, NOR HAVE THEY BEEN REGISTERED UNDER THE SECURITIES LAWS OF ANY STATE.

#### THE REGENTS OF THE UNIVERSITY OF IDAHO

#### AND

#### THE STATE BOARD OF EDUCATION

Milford Terrell — President
Paul C. Agidius — Vice President
Sue Thilo — Secretary
Blake G. Hall
Roderic W. Lewis
Tom Luna
Laird Stone
Richard Westerberg

#### **UNIVERSITY OFFICIALS**

Timothy White – President
Douglas D. Baker – Provost
Lloyd Mues – Vice President for Finance and Administration and Bursar
John Tracy – Interim Vice President for Research, Graduate Studies and Outreach
Christopher D. Murray – Vice President for University Advancement
Kent E. Nelson – University Counsel

Finance and Administration Administration Building, Room 213 Moscow, Idaho 83844-3166 (208) 885-6530

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#### OFFICIAL STATEMENT

# THE REGENTS OF THE UNIVERSITY OF IDAHO Adjustable Rate General Revenue Bonds

consisting of

\$\_\_\_\_\*

Revenue Refunding Bonds, Series 2007A

Revenue Bonds, Series 2007B

#### INTRODUCTION

This Official Statement, which includes the front cover page and the Appendices hereto, provides certain information in connection with the offer and sale by the Regents of the University of Idaho (the "Regents") of their Adjustable Rate General Revenue Refunding Bonds, Series 2007A (the "Series 2007A Bonds") and Adjustable Rate General Revenue Bonds, Series 2007B (the "Series 2007B Bonds" and, together with the Series 2007A Bonds, the "Series 2007 Bonds"). The Series 2007 Bonds are being issued pursuant to the supplemental resolution (the "2007 Supplemental Resolution") adopted by the Regents on [October 11, 2007.] The Series 2007 Bonds are being issued as "Additional Bonds" under a bond resolution adopted November 22, 1991 (the "Original Resolution"). The Original Resolution, together with the 2007 Supplemental Resolution and previous supplemental resolutions amending, supplementing and restating the Original Resolution and authorizing the issuance of Additional Bonds, are referred to collectively herein as the "Resolution," and the Series 2007 Bonds together with all other bonds heretofore or hereafter issued under the Resolution are referred to collectively herein as the "Bonds." See "THE SERIES 2007 BONDS."

This introduction is not a summary of this Official Statement. It is only a summary description of and guide to, and is qualified by, more complete and detailed information contained in, the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 2007 Bonds to potential investors is made only by means of the entire Official Statement. See APPENDIX C for definitions of certain words and terms used herein. See APPENDIX D for a summary of the Resolution.

#### The Regents and the University of Idaho

A comprehensive land-grant institution, the University of Idaho (the "University") is the State's oldest institution of higher learning. Its main campus is located in Moscow, Idaho. With an enrollment of approximately 11,400 full and part–time students, the University has been charged with the primary responsibility in the State for advanced research and graduate education. The University was established in Moscow in 1889 by the Territorial Legislature, and provisions of the University's Charter as a territorial university are incorporated into the Idaho State Constitution. Policy direction of the University

<sup>\*</sup> Preliminary, subject to change

is vested in the Regents of the University of Idaho (the "**Regents**"), whose members also serve as the Idaho State Board of Education. See "THE UNIVERSITY" and the audited financial statements of the University in **APPENDIX A** for financial and other information as to the University and the Regents.

#### **Authority for Issuance**

The Regents are authorized by the Educational Institutions Act of 1935, constituting Section 33-3801, et seq. of the Idaho Code, as amended (the "Act"), to issue bonds for "projects" (as defined in the Act). The Regents are also authorized to issue refunding bonds pursuant to the Act and Title 57, chapter 5, Idaho Code. The Series 2007 Bonds are being issued pursuant to such statutory authorization and pursuant to the Resolution.

#### **Purpose of the Series 2007 Bonds**

The Series 2007 Bonds are being issued to provide funds to (i) advance refund certain Outstanding Bonds of the Regents as further described in "PLAN OF FINANCE – The Refunding Project" (collectively, the "Refunded Bonds"), (ii) fund certain capital improvements on the University campus in Moscow, Idaho (as further described herein, the "Series 2007B Project"), and (iii) pay costs of issuance associated with the Series 2007 Bonds. See "PLAN OF FINANCE." [Note – The Debt Service Reserve Account for the Series 2007 Bonds will be funded with the Series 2007 Bonds proceeds if, prior to the issuance of the Series 2007 Bonds, consents to the amendments of certain existing covenants contained in the Resolution are not obtained from bond insurers insuring Outstanding Bonds which were issued prior to certain Series 2005A Bonds.] See "SECURITY FOR THE SERIES 2007 BONDS – No Debt Service Reserve Fund" herein.

#### **Terms of the Series 2007 Bonds**

**Denominations** 

During the Initial Term Rate Periods, the Series 2007 Bonds are issuable only as fully registered Bonds without coupons in denominations of \$5,000, and any integral multiples thereof. See "THE SERIES 2007 BONDS – General."

Interest Rates and Payments

The Series 2007 Bonds will initially bear interest at Term Interest Rates (as shown on the front cover page of this Official Statement) during the respective Initial Term Interest Rate Periods. The interest on each Series of the Series 2007 Bonds during the respective Initial Term Interest Rate Period will be payable on each April 1 and October 1, commencing April 1, 2008. Each Series of the Series 2007 Bonds shall be subject to mandatory tender for purchase on the last day of the respective Initial Term Interest Rate Period, and, upon mandatory tender, may be converted to a Weekly Interest Rate Period or another Term Interest Rate Period as more fully described herein. Payment of the purchase price for each Series of the Series 2007 Bonds tendered for purchase on such mandatory tender date and not remarketed will be supported by a standby bond purchase agreement provided by Dexia Credit Local, acting through its New York Branch (the "Initial Liquidity Facility Provider") with respect to such Series of the Series 2007 Bonds. See "THE SERIES 2007 BONDS – Interest Rate Periods," "– Payment of Interest" and "– Interest Rate Determination Methods." Principal of the Series 2007 Bonds of each Series is payable in the amounts and on the dates shown on the front cover hereof, subject to prior redemption or purchase.

#### Redemption and Tender

During the respective Initial Term Interest Rate Periods, the Series 2007 Bonds will not be subject to optional redemption. The Series 2007 Bonds of each Series will be subject to mandatory sinking fund redemption as described herein. The Series 2007 Bonds of each Series are also subject to mandatory tender for purchase prior to maturity on the last day of the respective Initial Term Interest Rate Period. See "THE SERIES 2007 BONDS – Mandatory Tender for Purchase" and "– Redemption Prior to Maturity."

Book-Entry System

The Depository Trust Company, New York, New York ("DTC") is acting as securities depository for the Series 2007 Bonds through its nominee, Cede & Co., to which principal and interest payments on the Series 2007 Bonds are to be made. One or more fully registered bonds in denominations in the aggregate equal to the principal amount per maturity of the Series 2007 Bonds will be registered in the name of Cede & Co. Individual purchases will be made in book-entry form only and purchasers of the Series 2007 Bonds will not receive physical delivery of bond certificates, all as more fully described herein. Upon receipt of payments of principal and interest, DTC is to remit such payments to the DTC Participants for subsequent disbursement to the beneficial owners of the Series 2007 Bonds. For a more complete description of the book-entry system, see "THE SERIES 2007 BONDS – Generally."

For a more complete description of the Series 2007 Bonds and the Resolution and other documents pursuant to which such Series 2007 Bonds are being issued, see "THE SERIES 2007 BONDS" and "APPENDIX D – SUMMARY OF THE RESOLUTION" hereto.

#### Payment and Security for the Series 2007 Bonds

In connection with issuance of the Regents' General Revenue Refunding Bonds, Series 2005A (the "Series 2005A Bonds"), the Regents began the process of creating a single bond system (the "General Revenue Bond System") pursuant to a supplemental resolution adopted in connection with the Series 2005A Bonds (the "2005A Supplemental Resolution") by combining the revenues previously pledged under the Original Resolution with the student fees and revenues it then pledged as security on a stand—alone basis to other bond systems and certain previously unpledged student fees and revenues. The Regents' strategy in creating the General Revenue Bond System was to enhance the security and source of payment for all of its bondholders, while increasing its financial flexibility, but still maintaining accountability for individual enterprises through internal financial policies. To facilitate the creation of the General Revenue Bond System, the Regents covenanted in the 2005A Supplemental Resolution that it would not issue bonds under its other existing bond systems. The Series 2007 Bonds are being issued as part of the General Revenue Bond System and under the Resolution. See "SECURITY FOR THE SERIES 2007 BONDS."

The Series 2007 Bonds are secured by the Pledged Revenues as defined in the Resolution (as further described herein, the "**Pledged Revenues**"). The lien of the Series 2007 Bonds on the Pledged Revenues is on a parity with certain Bonds (the "**Parity Bonds**") previously issued by the Regents under the Resolution which, following the issuance of the Series 2007 Bonds, will be Outstanding in the aggregate principal amount of \$54,770,000\*. In connection with the creation of the General Revenue Bond System, the 2005A Supplemental Resolution amended the Resolution to add to the Pledged Revenues University revenues which were the subject of a prior pledge to the Regents' Activity Center

<sup>\*</sup> Preliminary, subject to change.

Bonds and Recreation Center Bonds. See "SECURITY FOR THE SERIES 2007 BONDS – Pledged Revenues" for a definition of the Activity Center Bonds and Recreation Center Bonds. Therefore, the lien of the Series 2007 Bonds on certain of the Pledged Revenues is subordinate to this prior pledge until all Activity Center Bonds and Recreation Center Bonds are paid. See "SOURCES OF FUNDING FOR THE UNIVERSITY – Schedule of Outstanding Indebtedness" for the list of Outstanding Bonds as of June 30, 2007, including the Parity Bonds, Activity Center Bonds and Recreation Center Bonds. Under the Resolution, the University has covenanted to establish and collect in each Fiscal Year Pledged Revenues equal to not less than 100% of the Maximum Annual Debt Service on any Outstanding Bonds and any Additional Bonds that may hereafter be issued. See "SECURITY FOR THE SERIES 2007 BONDS."

The Regents have appointed Wells Fargo Bank, N.A., to serve as Trustee, bond registrar, authenticating agent, paying agent and transfer agent (the "**Trustee**") with respect to the Series 2007 Bonds.

#### **Bond Insurance**

Payment of the principal and interest on the Series 2007 Bonds when due will be insured by a municipal bond insurance policy (the "**Insurance Policy**" or the "**Policy**") to be issued by Financial Security Assurance Inc. (the "**Insurer**") simultaneously with the delivery of the Series 2007 Bonds. See "BOND INSURANCE." A specimen of the policy is included as **APPENDIX F** hereto.

#### **Initial Liquidity Facility**

The Regents are required to maintain a Liquidity Facility with respect to the Series 2007 Bonds that bear interest at a Weekly Interest Rate or a Term Interest Rate (unless it is fixed to maturity). Such Liquidity Facility is to provide for the payment of the purchase price of Series 2007 Bonds tendered for purchase pursuant to mandatory or optional tender provisions of the Resolution (the "**Tendered Series 2007 Bonds**") that are not remarketed by the Remarketing Agent. Upon delivery of the Series 2007 Bonds, the Regents will enter into a Standby Bond Purchase Agreement for each Series of the Series 2007 Bonds to establish a liquidity facility for each Series of the Series 2007 Bonds (collectively, the "**Initial Liquidity Facility**") with the Initial Liquidity Facility Provider. See "APPENDIX G-1 – CERTAIN TERMS OF THE INITIAL LIQUIDITY FACILITY" and "APPENDIX G-2 – THE INITIAL LIQUIDITY PROVIDER."

The Liquidity Facility is scheduled to termination on \_\_\_\_\_\_, unless extended or terminated earlier as described herein. Upon the occurrence of certain events, the obligation of the Initial Liquidity Provider to purchase Tendered Series 2007 Bonds may be terminated or suspended. Owners of the Series 2007 Bonds may have no opportunity to tender for purchase Tendered Series 2007 Bonds as a result of such termination, and sufficient funds may not be available to purchase such Tendered Series 2007 Bonds. The Initial Liquidity Facility does not provide security for the payment of principal, premium, if any, and interest with respect to the Series 2007 Bonds, and the funds drawn thereunder may not be used for such purposes.

#### **Availability of Continuing Disclosure**

Upon delivery of the Series 2007 Bonds, the Regents and the Trustee will enter into a Continuing Disclosure Agreement in which the Regents will agree, for the benefit of the owners of the Series 2007 Bonds, to file with each of the nationally recognized municipal securities information repositories such ongoing information regarding the University as described in "CONTINUING DISCLOSURE."

#### **Other Information**

This Official Statement speaks only as of its date, and the information contained herein is subject to change without notice.

This Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the Regents, the University, the Series 2007 Bonds, the Refunded Bonds, the Series 2007B Project, the Resolution, the Continuing Disclosure Agreement, the Initial Liquidity Facility, the Policy and the security and sources of payment for the Series 2007 Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions and statutes, such contracts, and other documents are intended as summaries only and are qualified in their entirety by reference to such laws and documents, and references herein to the Series 2007 Bonds are qualified in their entirety to the form thereof included in the Resolution. Copies of such contracts and other documents and information are available, upon request and upon payment to the Trustee of a charge for copying, mailing and handling, from the Trustee at 877 W. Main Street, 3rd Floor, MAC U1858-033, Boise, ID 83702, Attention: Corporate Trust, telephone: (208) 393-5491. During the period of offering of the Series 2007 Bonds copies of such documents are available, upon request and upon payment to George K. Baum & Company of a charge for copying, mailing and handling, from 717 17th Street, Suite 2500, Denver, CO 80202, telephone: (800) 722-1670.

#### FORWARD-LOOKING STATEMENTS

This Official Statement contains statements relating to future results that are "forward-looking statements." When used in this Official Statement, the words "estimate," "forecast," "intend," "expect," "project," "intend," "budget," "plan" and similar expressions identify forward-looking statements. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption "PRO FORMA AND HISTORICAL PLEDGED REVENUES."

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE REGENTS DO NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

#### THE SERIES 2007 BONDS

This Official Statement provides certain information concerning the Series 2007 Bonds during the Initial Term Interest Rate Periods. Each Series of the Series 2007 Bonds will be subject to mandatory tender for purchase on the last day of the applicable Initial Term Interest Rate Period, and, upon mandatory tender, may be Converted to a Weekly Interest Rate Period or another Term Interest Rate Period. Holders and prospective purchasers of the Series 2007 Bonds should not rely on this Official Statement for information concerning the Series 2007 Bonds in connection with any Conversion of a Series of the Series 2007 Bonds to a different Interest Rate Period, but should look solely to the Official Statement or remarketing circular used in connection with any such Conversion.

#### General

General information describing the Series 2007 Bonds appears elsewhere in this Official Statement. That information should be read in conjunction with this summary, which is qualified in its entirety by reference to the Resolution and the form of Series 2007 Bond included in the 2007 Supplemental Resolution. See "APPENDIX D – SUMMARY OF THE RESOLUTION" hereto.

Each Series of the Series 2007 Bonds will initially be issued as fully registered bonds without coupons in denominations of \$5,000 or any integral multiple thereof. Each Series of the Series 2007 Bonds will be dated as of its delivery date, will bear interest initially at a Term Interest Rate for a Term Interest Rate Period (the "Initial Term Interest Rate Periods") and will mature, subject to prior redemption, as shown on the front cover of this Official Statement.

The Series 2007 Bonds, when issued, will be registered in the name of Cede & Co., as nominee for DTC. Payment of the principal of and interest on the Series 2007 Bonds will be made directly to DTC or its nominee, Cede & Co., by the Trustee. For a description of the method of payment of principal, premium, if any, and interest on the Series 2007 Bonds and matters pertaining to transfers and exchanges while registered in the name of Cede & Co., see "APPENDIX E – DEPOSITORY TRUST COMPANY INFORMATION." So long as the Series 2007 Bonds are registered in the name of Cede & Co., as nominee for DTC, notices or communications to Bondholders with respect to matters described under this caption "THE SERIES 2007 BONDS" will be delivered to DTC or its nominee as registered owner of such Series 2007 Bonds. DTC is responsible for notifying Participants, and Participants (and direct participants in DTC) are responsible for notifying Beneficial Owners of the Series 2007 Bonds. Neither the Trustee nor the Regents is responsible for sending notices to Beneficial Owners. See "APPENDIX E – DEPOSITORY TRUST COMPANY INFORMATION."

#### **Interest Rate Periods**

The term of each Series of the Series 2007 Bonds will be divided into consecutive Interest Rate Periods, during which each Series of the Series 2007 Bonds will bear interest at a Weekly Interest Rate or a Term Interest Rate. The Series 2007 Bonds will initially bear interest at Term Interest Rates during the respective Initial Term Interest Rate Periods shown on the cover page hereof. Upon expiration of their respective Initial Term Interest Rate Periods, each Series of the Series 2007 Bonds will be subject to mandatory tender for purchase and may be Converted to a Weekly Interest Rate or a different Term Interest Rate Period at the Regent's discretion. The Series 2007 Bonds may not be Converted to a Weekly Interest Rate or a different Term Interest Rate Period prior to the expiration of their respective Initial Term Interest Rate Periods.

#### **Payment of Interest**

Each Series 2007 Bond will bear interest from and including the delivery date thereof until payment of the principal or redemption price thereof has been made or provided for on the due date thereof in accordance with the provisions of the Resolution, whether at maturity, upon redemption or acceleration or otherwise. Interest on Series 2007 Bonds with respect to the immediately preceding Interest Rate Period will be paid on each Payment Date, as explained below. During the Initial Term Interest Rate Period for a Series of the Series 2007 Bonds, the amount of interest payable on any Payment Date for such Series of the Series 2007 Bonds (a) is computed on the basis of a 360-day year of twelve 30-day months and (b) is the amount of interest accrued thereon from the preceding Payment Date (or other date as described in the Resolution) to, but excluding, the Payment Date on which interest is being paid.

During the Initial Term Interest Rate Periods, the Payment Date for the Series 2007 Bonds will be April 1 and October 1 and the day immediately succeeding the last day of the respective Initial Term Interest Rate Period, beginning April 1, 2008. If a Payment Date is not a Business Day at the place of payment, then payment will be made at that place on the next succeeding Business Day, with the same force and effect as if made on the Payment Date, and, in the case of such payment, no interest will accrue for the intervening period.

Payment of the interest on each Series 2007 Bond will be made to the person appearing on the Bond Register as the registered owner thereof as of the Record Date, such interest to be paid by the Trustee to such Bondholder (i) by check mailed by first class mail on the Payment Date, to such Bondholder's address as it appears on the Bond Register, or (ii) upon written request at least three Business Days prior to the Record Date of the Holder of all of the Outstanding Series 2007 Bonds or the Holder of Outstanding Series 2007 Bonds aggregating not less than \$1,000,000 in principal amount, by wire transfer in immediately available funds at an account maintained in the United States at such wire address as such Bondholder will specify in its written notice (any such written request will remain in effect until rescinded in writing by such Bondholder); except, in each case, that, if and to the extent that there is a default in the payment of the interest due on such Payment Date, such defaulted interest will be paid to the Bondholder in whose name any such Series 2007 Bonds are registered on the Bond Register at the close of business on a special record date to be fixed by the Trustee. Both the principal Office of the Trustee.

## **Change of Interest Rate Determination Methods**

The Regents may not convert a Series of the Series 2007 Bonds into a different Interest Rate Period prior to the expiration of the respective Initial Term Interest Rate Period. Following the expiration of the Initial Term Interest Rate Period, the Regents, by written direction to the Trustee and the Remarketing Agent, delivered at least thirty-five (35) days prior to the proposed Conversion Date, accompanied by the written consent of the Liquidity Facility Provider (unless the proposed Conversion is to an Interest Rate Period ending on the date immediately preceding the maturity date of such Series of the Series 2007 Bonds) and the Insurer and an Approving Opinion, may elect to Convert the Interest Rate Period for the related Series of the Series 2007 Bonds from a Term Interest Rate Period to a Weekly Interest Rate Period or a from one Term Interest Rate Period to another Term Interest Rate Period, and, upon such election, are required to determine the duration of any such new Term Interest Rate Period which shall be one of the periods specified in the definition "Term Interest Rate Period." Such direction is to specify (a) the Conversion Date to such new Interest Rate Period in accordance with the provisions of the Resolution and (b) if the new Interest Rate Period is a Term Interest Rate Period, the last day thereof. Notwithstanding anything else provided in the Resolution, unless a Series of the Series 2007 Bond is Converted to a Term Interest Rate Period expiring immediately prior to the final maturity date of such Series of the Series 2007 Bonds, the Regents may not Convert the Interest Rate Period on a Series of the Series 2007 Bonds to a Term Interest Rate Period unless the Liquidity Facility then in effect with respect to such Series of the Series 2007 Bonds has been modified, if necessary, to provide interest coverage sufficient to provide for all interest to accrue on such Series of the Series 2007 Bonds as of each Payment Date during and immediately succeeding such Term Interest Rate Period plus ten (10) additional days at the Term Interest Rate for such Term Interest Rate Period.

## **Notice of Change in Interest Rate Determination Method**

Except for an automatic Conversion to a Weekly Interest Rate Period or a Term Interest Rate Period pursuant to the Resolution, as to which no notice will be required, the Trustee is to give notice by first class mail of a Conversion of a Series of the Series 2007 Bonds to a Weekly Interest Rate Period or

to a Term Interest Rate Period, as applicable, to the Bondholders, the Liquidity Facility Provider, the Remarketing Agent and the Regents not less than thirty (30) days prior to the Conversion Date for such Weekly Interest Rate Period. Such notice is required to state (1) that the Interest Rate Period on a Series of the Series 2007 Bonds will be Converted to a Weekly Interest Rate Period or to a Term Interest Rate Period, as applicable, (2) the Conversion Date to such Weekly Interest Rate Period or to a Term Interest Rate Period, as applicable, and, with respect to a Term Interest Rate Period, the final date thereof, (3) the day by which the initial Weekly Interest Rate for such Weekly Interest Rate Period will be determined and the manner by which the Weekly Interest Rates for such Weekly Interest Rate Period may be obtained, (4) the Payment Dates with respect to such Weekly Interest Rate Period or Term Interest Rate Period, as applicable, (5) that a Series of the Series 2007 Bonds will be purchased on such Conversion Date pursuant to the Resolution, (6) the procedures for such purchase as provided in (5) above, (7) the redemption provisions that will pertain to such Series of the Series 2007 Bonds during such Weekly Interest Rate Period or Term Interest Rate Period, as applicable, (8) the ratings which are expected to be assigned to such Series of the Series 2007 Bonds upon such Conversion, (9) with respect to a Conversion to a Weekly Interest Rate Period, that, subsequent to the Conversion Date, the Bondholders will have the right to demand purchase of such Series of the Series 2007 Bonds upon not less than seven days' notice and the procedures for a demand for purchase, and (10) with respect to a Conversion to a Term Interest Rate Period, the day by which the Term Interest Rate for such Term Interest Rate Period will be determined and whether a Liquidity Facility will be in effect with respect to such Series of the Series 2007 Bonds upon such Conversion to a Term Interest Rate Period and, if so, identifying such Liquidity Facility.

#### Failure to Convert to a Different Interest Rate Period

Notwithstanding anything in the Resolution to the contrary, if the conditions to Convert a Series of the Series 2007 Bonds to a Weekly Interest Rate Period contained in the Resolution or to Convert a Series of the Series 2007 Bonds from one Term Interest Rate Period to another Term Interest Rate Period contained in the Resolution are not satisfied, then the Interest Rate Period that will commence on the mandatory purchase of such Series of the Series 2007 Bonds on the Conversion Date specified in the notice of Conversion delivered to Bondholders pursuant to the Resolution, will automatically and without further action under the Resolution, be in a Weekly Interest Rate Period and the Remarketing Agent will determine the interest rate to apply to such Series of the Series 2007 Bonds commencing on such Conversion Date.

Notwithstanding anything in the Resolution to the contrary, if an Event of Default has occurred and is continuing, the interest rate on the Series 2007 Bonds will be the rate on the Series 2007 Bonds on the day prior to the occurrence of such Event of Default.

### **Mandatory Tender for Purchase**

A Series of the Series 2007 Bonds will be subject to mandatory tender for purchase at the applicable Purchase Price, payable from the sources specified in the Resolution in immediately available funds, on April 1, 2011 (in the case of the Series 2007A Bonds), on April 1, 2018 (in the case of the Series 2007B Bonds), and upon the occurrence of any of the events listed below:

- (i) on the effective date of any new Interest Rate Period for such Series of the Series 2007 Bonds:
- (ii) on the effective date of an Alternate Liquidity Facility for such Series of Series 2007 Bonds pursuant to the Resolution;

- (iii) in the event that the Liquidity Facility with respect to a Series of Series 2007 Bonds then in effect is not renewed, or an Alternate Liquidity Facility is not delivered to the Trustee, on the first Business Day which is at least five calendar days preceding the expiration date of the Liquidity Facility then in effect; or
- (iv) on the date which is the fifth (5th) calendar day, or the first Business Day thereafter if such day is not a Business Day, following receipt by the Trustee of a notice from the Liquidity Facility Provider providing the Liquidity Facility then in effect with respect to a Series of the Series 2007 Bonds to the effect that an event of default or termination has occurred and is continuing under the Liquidity Facility and the Liquidity Facility will terminate after a given number of days from said notice.

The Trustee is to give Notice by Mail to the Holders of the Series 2007 Bonds subject to mandatory tender for purchase as described in subparagraph (i) above, not later than the 30th day prior to the date on which such Series 2007 Bonds are subject to such mandatory tender, which notice is required to be in the form of the notice required by the Resolution for Conversion to a new Interest Rate Period. See "Notice of Change in Interest Rate Determination Method" herein.

If the Trustee has received a copy of a commitment to issue an Alternate Liquidity Facility, the Trustee is to give Notice by Mail to the Holders, not later than the 15th day prior to the date on which such Series of the Series 2007 Bonds are subject to mandatory tender as a result of the occurrence of any event described in subparagraph (ii) above, which notice is required to state the expected effective date of such Alternate Liquidity Facility and that such Series of the Series 2007 Bonds will be subject to mandatory tender for purchase on the date specified in such notice, in accordance with the Resolution.

The Trustee is to give Notice by Mail to the Holders of a Series of the Series 2007 Bonds, not later than the fifteenth (15th) day prior to the date on which such Series 2007 Bonds are subject to mandatory tender as a result of the occurrence of any event described in subparagraph (iii) above, which notice is required to state that the Liquidity Facility then in effect with respect to such Series 2007 Bonds has not been renewed and an Alternate Liquidity Facility has not been delivered to the Trustee and that such Series 2007 Bonds are subject to mandatory tender for purchase in accordance with the Resolution on the date determined in accordance therewith, which date is to be specified in such notice.

The Trustee is to give Notice by Mail to the Holders of a Series of the Series 2007 Bonds, not later than two (2) Business Days following receipt of the notice from a Liquidity Facility Provider described in subparagraph (iv) above, which notice shall state: (i) that the Trustee has received a notice from the Liquidity Provider that an event of default or termination has occurred and is continuing under the Liquidity Facility and the Liquidity Facility will terminate after a given number of days from said notice, and (ii) that such Series 2007 Bonds are subject to mandatory tender for purchase in accordance with the Resolution, on the date determined in accordance therewith, which date is to be specified in such notice.

Upon the giving of notice to Bondholders of the mandatory tender of the Series 2007 Bonds for purchase, a Series of the Series 2007 Bonds will be subject to mandatory tender for purchase notwithstanding that the events described in such notice have not occurred on the Purchase Date specified in such notice, including the failure to change the Interest Rate Period for such Series 2007 Bonds, the failure of an Alternate Liquidity Facility to go into effect or the renewal of the existing Liquidity Facility for such Series 2007 Bonds, or the curing of any event of default or termination under the Liquidity Facility.

### Delivery of Series 2007 Bonds; Payment of Purchase Price; Series 2007 Bonds Deemed Purchased

With respect to any Book-Entry Bond, delivery of such Series 2007 Bond to the Trustee in connection with any mandatory tender shall be effected by the making of, or the irrevocable authorization to make, appropriate entries on the books of DTC or any DTC Participant to reflect the transfer of the beneficial ownership interest in such Series 2007 Bond to the account of the Trustee, or to the account of a DTC Participant acting on behalf of the Trustee. With respect to any Series 2007 Bond which is not a Book-Entry Bond, delivery of such Series 2007 Bond to the Trustee in connection any mandatory tender shall be effected by physical delivery of such Series 2007 Bond to the Trustee at its Principal Office, by 1:00 p.m. (New York City time) on the Purchase Date, accompanied by documents described in the Resolution.

If the Series 2007 Bonds are not Book-Entry Bonds, a principal amount of Series 2007 Bonds equal to the amount of Series 2007 Bonds successfully remarketed by the Remarketing Agent shall be delivered by the Trustee to such persons as shall be designated by the Remarketing Agent. Such Series 2007 Bonds shall be held available at the Principal Office of the Trustee and shall be picked up by the Remarketing Agent at or after 1:00 p.m. (New York City time) on the Purchase Date against delivery of funds for deposit into the respective Remarketing Account of the Bond Purchase Funds equal to the Purchase Price of such Series 2007 Bonds that have been remarketed. If the Series 2007 Bonds are Book-Entry Bonds, transfer of ownership of the remarketed Series 2007 Bonds shall be effected in accordance with the procedures of DTC and the DTC Participants for the delivery of funds for deposit into the respective Remarketing Account of the Bond Purchase Funds equal to the Purchase Price of such Series 2007 Bonds that have been remarketed.

Series 2007 Bonds purchased with funds in the respective Liquidity Facility Purchase Account of the Bond Purchase Funds shall be delivered and held in accordance with the provisions described under "Liquidity Facility Provider Bonds" below. Such Series 2007 Bonds shall be held available for the registration of transfer and delivery by the Trustee in accordance with such provisions or in such manner as may otherwise be agreed between the Trustee and such Liquidity Facility Provider.

The Trustee is required, as to any Series 2007 Bonds which have not been delivered to it as described above, to (i) notify the Remarketing Agent in writing of such nondelivery and (ii) place a stop transfer against an appropriate amount of Series 2007 Bonds registered in the name of the Holder of such Series 2007 Bonds on the Bond Register. The Trustee is required to place and maintain such stop transfer commencing with the lowest serial number Series 2007 Bond registered in the name of such Holder until stop transfers have been placed against an appropriate amount of Series 2007 Bonds and until the appropriate Series 2007 Bonds are delivered to the Trustee.

The Purchase Price of Series 2007 Bonds to be purchased upon mandatory tender as described herein is to be paid by the Trustee from moneys on deposit in the applicable account of the Bond Purchase Fund at or before 4:00 p.m. (New York City time) on the Purchase Date upon surrender to the Trustee of the tendered Series 2007 Bonds. Payment of the Purchase Price of Series 2007 Bonds and transfer of beneficial ownership while the Series 2007 Bonds are held under a book-entry system shall be undertaken in accordance with the provisions described in "APPENDIX E – DEPOSITORY TRUST COMPANY INFORMATION."

If moneys sufficient to pay the Purchase Price of Series 2007 Bonds to be purchased are held by the Trustee on the date such Series 2007 Bonds are to be purchased, such Series 2007 Bonds shall be deemed to have been purchased for all purposes of the Resolution, irrespective of whether or not such Series 2007 Bonds shall have been delivered to the Trustee or transferred on the books of DTC, and neither the former Holder nor the former Beneficial Owner of such Series 2007 Bonds shall have any

claim thereon, under the Resolution or otherwise, for any amount other than the Purchase Price thereof. In the event of non-delivery of any Series 2007 Bonds to be purchased pursuant to mandatory or optional tender, the Trustee is to segregate and hold uninvested the moneys for the Purchase Price of such Series 2007 Bonds in trust, without liability for interest thereon, for the benefit of the former Holders of such Series 2007 Bonds, who shall, except as provided in the following sentence, thereafter be restricted exclusively to such moneys for the satisfaction of any claim for the Purchase Price of such Series 2007 Bonds. Any moneys which the Trustee shall segregate and hold in trust for the payment of the Purchase Price any Series 2007 Bond and remaining unclaimed for four (4) years after the applicable Purchase Date shall, to the extent permitted by law, be paid, upon written request of the Regents, to the Regents. After the payment of such unclaimed moneys to the Regents, the former Holder of such Series 2007 Bond shall look only to the Regents for the payment thereof.

## **Remarketing of Purchased Bonds**

Not later than 9:30 a.m. (New York City time) on each Purchase Date occurring pursuant to the Resolution, the Trustee is to give notice by telephone to the Remarketing Agent specifying the principal amount of all Outstanding Series 2007 Bonds which are subject to mandatory tender on such Purchase Date pursuant to the Resolution (the "Mandatory Tender Bonds") and the names of the Holder or Holders thereof. The Remarketing Agent is to thereupon offer for sale at par and use its best efforts to find purchasers for such Mandatory Tender Bonds, other than Liquidity Facility Provider Bonds, which are to be remarketed as described in "Liquidity Facility Provider Bonds" below; provided however, that the Remarketing Agent shall not remarket Mandatory Tender Bonds purchased pursuant to paragraphs (iii) and (iv) of the Section titled "Mandatory Tender for Purchase" until the Liquidity Facility is reinstated or an Alternate Liquidity Facility is provided and in place.

Not later than 11:00 a.m. (New York City time) on the Business Day immediately preceding each Purchase Date described in the immediately preceding paragraph, the Trustee is to give notice by telephone to the Remarketing Agent of the accrued amount of the interest payable as of the Purchase Date specified in such notice from the Trustee on, and confirming the aggregate principal amount of, the Mandatory Tender Bonds.

Not later than 10:30 a.m. (New York City time) on each Purchase Date with respect to Mandatory Tender Bonds, the Remarketing Agent is to give Electronic Notice (promptly confirmed in writing) to the Regents, the Liquidity Facility Provider, and the Trustee of the amount of remarketing proceeds that the Remarketing Agent has received and the principal amount of Mandatory Tender Bonds which have not been remarketed in accordance with the Remarketing Agreement.

If the Trustee does not possess sufficient remarketing proceeds to purchase all the Mandatory Tender Bonds to be purchased on such Purchase Date, the Trustee is to demand payment under the Liquidity Facility then in effect with respect to the Mandatory Tender Bonds prior to 11:00 a.m. (New York City time) on such Purchase Date so as to provide by 3:30 p.m. (New York City time) on such Purchase Date an amount sufficient, together with the remarketing proceeds to be available for such purchase, calculated solely on the basis of the notice given by the Remarketing Agent pursuant to the immediately preceding paragraph, to pay the Purchase Price of the Mandatory Tender Bonds. The Trustee is to immediately after such demand for payment give notice to the Regents of the amount, if any, of such demand.

Neither the Regents, the Trustee nor the 2007 Insurer shall have any obligation to purchase tendered Series 2007 Bonds that cannot be remarketed. A failure to remarket or purchase tendered Series 2007 Bonds is not an Event Default under the Resolution. The Pledged Revenues are not pledged to secure the Purchase Price. Payment of the Purchase Price for each Series of the

Series 2007 Bonds tendered for purchase and not remarketed will be supported by the related Initial Liquidity Facility. Upon the occurrence of certain events, the obligation of the Initial Liquidity Facility Provider to pay the purchase price may be terminated or suspended. Owners of the Series 2007 Bonds may have no opportunity to tender for purchase the Series 2007 Bonds as a result of such termination. The Initial Liquidity Facility does not provide security for the payment of principal, premium, if any, and interest with respect to the Series 2007 Bonds, and the funds drawn thereunder may not be used for such purposes.

[Tendered Series 2007 Bonds that are not remarketed or purchased shall bear interest at the Bond Buyer Seven Day General Market Index (Non-AMT) plus 25 basis points or another rate acceptable the 2007 Insurer.]

Limitation on Remarketing

If a Liquidity Facility is in effect with respect to a Series of the Series 2007 Bonds, the Remarketing Agent will not remarket any tendered Series 2007 Bonds to the Regents or the University. Liquidity Facility Provider Bonds shall bear interest which shall be computed and be payable as set forth in the applicable Liquidity Facility [and such interest rate may exceed the Maximum Interest Rate]. Furthermore, no tendered Series 2007 Bonds shall be remarketed if no Liquidity Facility is current and in place.

Liquidity Facility Provider Bonds

Any Series 2007 Bonds purchased with payments made under a Liquidity Facility pursuant to the Resolution are to be registered in the name of, or as otherwise directed by, the Liquidity Facility Provider and delivered to, or upon the order of, or as otherwise directed by, the Liquidity Facility Provider; provided, that if such Series 2007 Bonds are Book-Entry Bonds, the Trustee is to immediately, upon making any demand for payment on a Liquidity Facility pursuant to the Resolution, direct DTC to cause any Series 2007 Bonds purchased with the proceeds of such demand to be transferred to such account at DTC as directed by the Liquidity Facility Provider, and such Series 2007 Bonds will be held in the name of or for the account of, the Liquidity Facility Provider or as may be directed by the Liquidity Facility Provider.

Unless otherwise provided in the Liquidity Facility, Liquidity Facility Provider Bonds are be remarketed by the Remarketing Agent prior to any other Series 2007 Bonds tendered for purchase under the Resolution, and are to be remarketed at par in accordance with the terms of the Remarketing Agreement. Upon (i) receipt by the Trustee of written notification from a Liquidity Facility Provider that its Liquidity Facility has been fully reinstated with respect to principal and interest and (ii) release by such Liquidity Facility Provider of any Liquidity Facility Provider Bonds which the Remarketing Agent has remarketed, such Series 2007 Bonds will be made available to the purchasers thereof and will no longer constitute Liquidity Facility Provider Bonds for purposes of the Resolution. The proceeds of any remarketing of Liquidity Facility Provider Bonds is to be paid to the Liquidity Facility Provider by the Trustee on such remarketing date in immediately available funds.

Notwithstanding anything to the contrary in the Resolution or in the Series 2007 Bonds, all obligations of the Regents under or in connection with any Liquidity Facility (including, without limitation, reimbursement obligations of the Regents to any participating Liquidity Facility Provider with respect to a Liquidity Facility and any Liquidity Facility Provider Bonds) will be governed by the terms of such Liquidity Facility.

Remarketing Agent

George K. Baum & Company has been appointed as the initial Remarketing Agent with respect to the Series 2007 Bonds. The Remarketing Agent's duties with respect to the remarketing of the Series 2007 Bonds upon tender thereof are described in the Resolution and a Remarketing Agreement between the Regents and the Remarketing Agent.

## **Redemption Prior to Maturity**

**Optional Redemption** 

The Series 2007 Bonds are **not** subject to redemption at the option of the Regents during the respective Initial Term Interest Rate Periods. See "Optional Redemption" in "APPENDIX D – SUMMARY OF THE RESOLUTION" hereto.

Mandatory Sinking Fund Redemption

The Series 2007A Bonds are subject to mandatory sinking fund redemption in part by lot, on April 1, 20\_\_, and on each April 1 thereafter until and including April 1, 2011, pursuant to the provisions of the Resolution, at 100% of the principal amount thereof, plus interest accrued to the redemption date, from mandatory sinking fund payments which are required to be made as set forth below:

Redemption Date	
(April 1)	<b>Principal Amount*</b>
	¢.

Upon redemption of any Series 2007A Bonds, other than by application of such mandatory sinking fund redemption, an amount equal to the principal amount so redeemed will be credited toward a part or all of any one or more of such mandatory sinking fund redemption amounts for the Series 2007A Bonds, in such order of mandatory sinking fund date as shall be directed by the Regents.

The Series 2007B Bonds are subject to mandatory sinking fund redemption in part by lot, on April 1, 20\_\_\_ and on each April 1 thereafter until and including April 1, 2018 pursuant to the provisions of the Resolution, at 100% of the principal amount thereof, plus interest accrued to the redemption date, from mandatory sinking fund payments which are required to be made as set forth below:

<sup>\*</sup> Preliminary, subject to change

Redemption Date (April 1)

**Principal Amount\*** 

\$

Upon redemption of any Series 2007B Bonds, other than by application of such mandatory sinking fund redemption, an amount equal to the principal amount so redeemed will be credited toward a part or all of any one or more of such mandatory sinking fund redemption amounts for the Series 2007B Bonds in such order of mandatory sinking fund date as shall be directed by the Regents.

Selection of Bonds for Redemption

The principal amount of Series 2007 Bonds to be redeemed shall be as specified by the Regents. Whenever provision is made in the Resolution for the redemption of less than all of the Series 2007 Bonds of a Series, the Trustee is to select the Series 2007 Bonds of such Series or any given portion thereof to be redeemed, first from the Outstanding Liquidity Facility Provider Bonds, if any, or such portion thereof not previously called for redemption, by lot in such manner as it may determine, and then from the other Outstanding Series 2007 Bonds of such Series not previously call for redemption, by lot in such manner as it may determine. For the purpose of any such selection the Trustee is to assign a separate number for each minimum Authorized Denomination of each Series 2007 Bond of such Series of a denomination of more than such minimum, provided that following any such selection, the portion of the such Series 2007 Bond to remain Outstanding shall be in an Authorized Denomination. The Trustee is to promptly notify the Regents in writing of the number of the Series 2007 Bonds so selected for redemption. Notwithstanding the foregoing, if less than all of the Series 2007 Bonds of a Series are to be redeemed at any time while the Series 2007 Bonds of such Series are Book-Entry Bonds, selection of the Series 2007 Bonds of such Series to be redeemed after Liquidity Facility Provider Bonds have been redeemed will be made in accordance with customary practices of DTC or any other applicable Securities Depository, as the case may be.

#### Notice of Redemption

Unless waived by any Holder of the Series 2007 Bonds, the Trustee, for and on behalf of the Regents, shall give notice of the redemption of any Series 2007 Bond pursuant to the terms of the Resolution, including the following: by first class mail, postage prepaid, not less than thirty-five (35) days (fifteen (15) days during the Weekly Interest Rate Period or Term Interest Rate Period of less than one year) nor more than sixty (60) days prior to the redemption date to (i) the registered owner of such Series 2007 Bond at the address shown on the Bond Register on the date such notice is mailed; (ii) the Liquidity Facility Provider, if any; (iii) one or more Information Services; and (iv) the Remarketing Agent, if any. Notice of redemption to the Information Services shall be given by facsimile confirmed by first class mail or in such other manner as is acceptable to such institutions. Each notice of redemption shall state the date of such notice, the Issue Date, the redemption date, the redemption price, the place of redemption

<sup>\*</sup> Preliminary, subject to change

(including the name and appropriate address or addresses of the Trustee) and, if less than all of the Series 2007 Bonds are to be redeemed, the distinctive certificate numbers of the Series 2007 Bonds to be redeemed and, in the case of Series 2007 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 the interest on the Series 2007 Bonds designated for redemption shall cease to accrue from and after such redemption date and that on said date there will become due and payable on each of said Series 2007 Bonds the principal amount thereof to be redeemed, interest accrued thereon, if any, to the redemption date and the premium, if any, thereon (such premium to be specified) and shall require that such Series 2007 Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice. Notwithstanding the foregoing, failure by the Trustee to give notice pursuant to this paragraph to the Liquidity Facility Provider or the Remarketing Agent or any one or more of the Information Services or the insufficiency of any such notices shall not affect the sufficiency of the proceedings for redemption. Failure to mail the notices required by this paragraph to any Holder of any Series 2007 Bonds designated for redemption, or any defect in any notice so mailed and will not affect the validity of the proceedings for redemption of any other Series 2007 Bonds.

With respect to any notice of optional redemption of Series 2007 Bonds by the Regents, unless at the time of giving such notice the Trustee shall hold moneys sufficient to pay the principal of, premium, if any, and interest to the redemption date on the Series 2007 Bonds to be redeemed, such notice is required to state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of funds sufficient to pay the principal of, and premium, if any, and interest on, such Series 2007 Bonds to be redeemed, and that if such funds shall not have been so received said notice shall be of no force and effect, such Series 2007 Bonds shall not be subject to redemption on such date and such Series 2007 Bonds shall not be required to be redeemed on such date. In the event that such notice of redemption contains such a condition and such funds are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice, to the persons and in the manner in which the notice of redemption was given, that such funds were not so received.

# Effect of Redemption

If notice of redemption has been duly given as provided in the Resolution, and moneys for payment of the redemption price of, together with interest accrued to the redemption date on, the Series 2007 Bonds (or portions thereof) so called for redemption are held by the Trustee on the redemption date designated in such notice, the Series 2007 Bonds (or portions thereof) so called for redemption will become due and payable at the redemption price specified in such notice and interest accrued thereon to the redemption date, interest on the Series 2007 Bonds so called for redemption will cease to accrue from and after the redemption date, said Series 2007 Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Resolution, and the Holders of said Series 2007 Bonds will have no rights in respect thereof except to receive payment of said redemption price and accrued interest to the redemption date.

### **SECURITY FOR THE SERIES 2007 BONDS**

## **Pledged Revenues**

In connection with the creation of the General Revenue Bond System, the 2005A Supplemental Resolution amended the Resolution to add additional University revenues to Pledged Revenues and provided that all Bonds issued under the Resolution be designated as "General Revenue Bonds." The 2005A Supplemental Resolution changed the debt service coverage ratios required to be maintained annually and for the issuance of Additional Bonds. The 2005A Supplemental Resolution also made other changes to the Resolution in light of the transition to the General Revenue Bond System as reflected in

"APPENDIX D – SUMMARY OF THE RESOLUTION." To effect the Regents' conversion of its then-existing bond system to the General Revenue Bond System in which all the Series 2005A Bonds and all future Additional Bonds (including the Series 2007 Bonds) would be issued, the Regents covenanted in the 2005A Supplemental Resolution not to issue any additional bonds under the Activity Center Resolution or the Recreation Center Resolution (both as defined below). In conjunction with the additions to Pledged Revenues, the Regents changed the definitions of the components of Pledged Revenues to match the descriptions of revenue categories in the University's audited financial statements.

The Pledged Revenues which now secure the Series 2007 Bonds and the other Outstanding and future Bonds issued under the Resolution include the following student fees and other revenue sources. The pledge of certain such Pledged Revenues to the Bonds is subordinate to the pledge of such revenues to Outstanding Bonds of the Regents as indicated below. Pledged Revenues are shown on a pro forma basis for the Fiscal Years 2003 through 2005 (which include those revenues not pledged in such Fiscal Years) and on a historical basis for Fiscal Years 2006 and 2007 under "PRO FORMA AND HISTORICAL PLEDGED REVENUES."

- Student Fees (as further described in "Student Fees" below), except that the pledge of the Recreation Center Fee is junior and subordinate to the pledge of such fee under the resolution (the "Recreation Center Resolution") pursuant to which the Regents issued their Student Fee Revenue Bonds (Recreation Center Project), Series 1999 (the "Recreation Center Bonds"), for so long as any Recreation Center Bonds are Outstanding and the pledge of the Activity Center Complex Fee to pay the Bonds is junior and subordinate to the pledge of such fee under the resolution (the "Activity Center Resolution") pursuant to which the Regents issued their Student Fee Refunding Revenue Bonds, Series 1996, their Student Fee Revenue Bonds (University Commons Project), Series 1997, their Student Fee Revenue Bonds (University Commons Supplemental Project), Series 1997 (collectively, the "Activity Center Bonds"), for so long as any Activity Center Bonds are Outstanding.
- Sales and Services Revenues (as further described in "Sales and Services Revenues" below), except that the pledge of such revenues to pay the Bonds is junior and subordinate to the pledge of the portion of Sales and Service Revenues which consists of the net revenues from the University's non-residential food service facilities (the "Non-Residential Food Service System") and net revenues from the University's bookstore, previously pledged under the Activity Center Resolution for so long as any Activity Center Bonds are Outstanding.
- Revenues received by the University as reimbursement for facility and administrative costs in conjunction with grants and contracts for research activities conducted by the University (as further discussed under "Facilities and Administrative Recovery Revenues" below, the "F&A Recovery Revenues").
- Various revenues generated from miscellaneous sources, including fines and lease/rental revenues (as further discussed in "Other Operating Revenues" below, the "Other Operating Revenues").
- Investment Income under the Resolution, except that the pledge of such income is junior and subordinate to the pledge of the portion of Investment Income previously pledged under the Recreation Center Resolution and Activity Center Resolution for so long as any Activity Center Bonds and Recreation Center Bonds are Outstanding.

- Proceeds from the sale of a Series of Bonds and moneys and investment earnings thereon, to the extent pledged by the University pursuant to a supplemental resolution.
- Such other revenues as the Regents shall designate as Pledged Revenues.

The following funds and revenues of the University have not been pledged to payment of debt service on the Series 2007 Bonds or other Bonds as part of the Pledged Revenues:

- general account appropriated funds of the State of Idaho (the "State"), which by law cannot be pledged; and
- restricted gift and grant revenues, including land grant endowments received pursuant to the University's land grant status.

See "SOURCES OF FUNDING FOR THE UNIVERSITY" and "APPENDIX A – FINANCIAL STATEMENTS OF THE UNIVERSITY FOR THE YEARS ENDED JUNE 30, 2006 AND JUNE 30, 2005."

The revenues pledged to the Activity Center Bonds and the Recreation Center Bonds (as described above) are pledged to the Bonds on a subordinate basis until the retirement of the Activity Center Bonds and the Recreation Center Bonds, respectively. Upon their retirement, such revenues will become pledged on a first lien basis to the Bonds. See "APPENDIX D – SUMMARY OF THE RESOLUTION" herein for a description of the change in the definition of Pledged Revenues when the Activity Center Bonds and Recreation Center Bonds are retired.

The Series 2007 Bonds are limited obligations of the Regents and do not constitute a debt or liability of the State of Idaho, its Legislature, or any of its political subdivisions or agencies other than the Regents to the extent herein described. The Regents are not authorized to levy or collect any taxes or assessments other than the fees described herein to pay the Series 2007 Bonds. The Regents have no taxing power.

### **Student Fees**

Under the Idaho Constitution, the Regents cannot charge tuition for Idaho residents attending the University as undergraduate students. However, the Regents have the ability to establish and collect tuition charges for non-resident, graduate and professional students attending the University and to establish and collect student fees from both resident and non-resident students.

The Regents are exclusively empowered to establish student fees and non-resident, graduate and professional tuition. Student fees and tuition charges are not subject to a referendum by students or approval by any other governmental entity. The Regents have established a policy that the University may not request more than a 10% annual increase in the total full-time student fees unless otherwise authorized by the Regents. The Regents' established policy is to announce and conduct a public hearing on the modification of any fees, which has traditionally occurred annually, with fee adjustments effective for the subsequent fall term each year. The Regents increased fees by 5% at the June 2007 Regents' meeting, which increase became effective in the Fall of 2008. There is no prohibition, however, which would preclude the Regents from adjusting fees (for collection beginning with the next academic year) at any time.

Student Fees include the Matriculation Fee, the Activity Fees, the Facility Fees, the Technology Fees and Other Fees/Tuition, as further described below. For the Fiscal Year ended June 30, 2007, the

total Student Fees per semester assessed against full-time undergraduate students who were Idaho residents were \$2,100. For the Fiscal Year ending June 30, 2008, total Student Fees per semester being assessed against full-time undergraduate students who are Idaho residents are \$2,025. See "APPENDIX B – SCHEDULE OF STUDENT FEES" for a listing of all Student Fees being assessed for Fiscal Year 2008.

**The Matriculation Fee** – The Matriculation Fee is charged to all full-time students attending the University. For purposes of the pledge of Pledged Revenues in the Resolution and for purposes of reference in this Official Statement, "Matriculation Fee" includes the related general education fees for part-time students and summer students even though such fees are identified by the Regents separately from the Matriculation Fee. The Matriculation Fee is used to provide general operating revenues for University maintenance and operation of physical plant, student services and institutional support. The revenues derived from the Matriculation Fee for the Fiscal Years ended June 30, 2005, June 30, 2006 and June 30, 2007 (unaudited) were \$21,003,045, \$22,777,016 and \$22,974,576, respectively.

**Activity Fees** – The University charges a wide variety of fees to support various programs and activities. See "APPENDIX B – SCHEDULE OF STUDENT FEES" for a listing of all Activity Fees to be assessed for Fiscal Year 2008. The revenues derived from Activity Fees for the Fiscal Years ended June 30, 2005, June 30, 2006 and June 30, 2007 (unaudited) were \$11,608,223, \$12,791,973 and \$13,781,497, respectively.

**Facility Fees** – The University charges a number of fees to support various services it provides, including housing and recreation. Currently, the University is assessing four such "Facility Fees" including the Student Building Fee, the Residential Campus Development Fee, the Recreation Center Fee, and the Activity Center Complex Fee. The Recreation Center Fee and the Activity Center Complex Fee is pledged on a subordinate basis until the retirement of the Recreation Center Bonds and the Activity Center Bonds, respectively. The revenues derived from the Facility Fees for the Fiscal Years ended June 30, 2005, June 30, 2006 and June 30, 2007 (unaudited) were \$5,677,788, \$5,461,808 and \$5,437,955, respectively.

**Technology Fees** – The University currently charges one Technology Fee, the Student Computing and Network Access Fee, to support the University's technological needs. For the Fiscal Years ended June 30, 2005, June 30, 2006 and June 30, 2007 (unaudited) the revenues derived from the Technology Fee were \$1,334,905, \$1,348,218 and \$1,303,720, respectively.

**Other Fees/Tuition** – The University's Other Fees/Tuition currently include the Graduate/Professional Fee, the Law College Dedicated Fee, the Architecture School Dedicated Fee, Non-Resident Tuition, the Inservice Teacher Education Fee and the Western Undergraduate Exchange Fee. The revenues derived from the Other Fees/Tuition for the Fiscal Years ended June 30, 2005, June 30, 2006 and June 30, 2007 (unaudited) were \$8,406,026, \$9,597,782 and \$11,935,290, respectively.

## **Sales and Services Revenues**

Sales and Services Revenues include revenues generated through operations of auxiliary enterprises and revenues generated incidentally to the conduct of instruction, research and public service activities. The majority of these revenues are generated through auxiliaries including the Housing System; the Parking System; the Non–Residential Food Service System; bookstore sales; ticket and event sales; recreation center activity charges; and other miscellaneous operations. See "THE UNIVERSITY" for a description of the University's primary revenue generating facilities. Examples of revenues generated incidentally to education are unrestricted revenues generated by the University's testing and training services, labs, sales of scientific materials, sales of miscellaneous services or products, and sales of

agriculture and forest products and publications. Sales and Services Revenues for the Fiscal Years ended June 30, 2005, June 30, 2006 and June 30, 2007 (unaudited) were \$35,160,294, \$39,998,851 and \$38,730,670, respectively. Prior to issuance of the Series 2005A Bonds, the only portion of Sales and Services Revenues that contributed to Pledged Revenues were the net revenues of the Housing System and the Parking System. The 2005A Supplemental Resolution extended the pledge to gross revenues of the Housing System and Parking System, and also pledged the portion of Sales and Service Revenues previously pledged to secure the Activity Center Bonds, including net revenues from the Non–Residential Food Service System and net revenues from the University's bookstore, to the Bonds on a subordinate basis until retirement of the Activity Center Bonds and Recreation Center Bonds.

## **Facilities and Administrative Recovery Revenues**

Federal, state, and private funds provided to institutions for scientific research consist of two components. The first component is restricted for use by the institution to pay the direct costs of conducting research, such as the salaries for scientists and materials and labor used to perform each project. The second component is granted to pay for so-called "facilities and administrative costs," which encompass spending by the receiving institution on such items as facilities maintenance and renewal, heating and cooling, libraries, the salaries of departmental and central office staff, and other general administration costs. Such component constituting "facilities and administrative costs" is pledged to the Bonds as F&A Recovery Revenues.

The following table shows F&A Recovery Revenues for the past five Fiscal Years.

Fiscal Year	F&A Recovery Revenue
2003	\$8,535,791
2004	9,526,705
2005	9,494,846
2006	9,524,924
2007*	9,290,119

<sup>\*</sup>Based on unaudited financial information of the University.

## **Other Operating Revenues**

The University receives other miscellaneous revenues in the course of its operations. Examples of revenues counted in Other Operating Revenues include fines and lease/rental revenues. In the Fiscal Years ended June 30, 2005, June 30, 2006 and June 30, 2007 (unaudited), the University generated Other Operating Revenues in the amounts of \$3,285,587 \$3,973,319 and \$2,583,091, respectively.

### **Investment Income**

Investment Income, which includes all of the University's unrestricted investment income, is pledged to repayment of the Series 2007 Bonds and other Bonds issued under the Resolution, except the pledge of such income is subordinate to the pledge of the portion of Investment Income pledged under the Activity Center Resolution and the Recreation Center Resolution. The amount of Investment Income pledged to the Bonds will not match the amount of investment income shown in the University's audited financial statements which includes restricted investment income. For the Fiscal Years ended June 30, 2005, June 30, 2006 and June 30, 2007 (unaudited), investment income earned by the University was \$2,232,059, \$3,842,495 and \$5,400,129, respectively.

## Use of Pledged Revenues and Other Revenues Not Otherwise Obligated

After the University has made the payments and deposits required under the Resolution, Pledged Revenues and other amounts remaining in the Revenue Fund held under the Resolution in excess of the amounts necessary to make the required payments thereunder may be used for any legal purpose of the University, including operations and the redemption or purchase of the Bonds, subject to policies adopted by the Regents.

#### **Covenants**

In conjunction with the formation of the General Revenue Bond System, the Regents amended a number of covenants in the Resolution and added certain Student Fees and University revenues to the definition of Pledged Revenues (the "2005 Amendments"). The 2005 Amendments that did not require the consent of the Owners of the Bonds, including the addition of certain University revenues to the definition of Pledged Revenues, took effect immediately with adoption of the 2005A Supplemental Resolution. The 2005 Amendments that required consent of the Owners of the Bonds were to take effect upon the sooner of (i) the date all of the Bonds issued prior to the Series 2005A Bonds ceased to be Outstanding; or (ii) the date upon which 60% of the Owners of the Outstanding Bonds shall have consented to the 2005 Amendments pursuant to the Resolution and the insurance companies insuring all Outstanding Bonds issued prior to the Series 2005A Bonds shall have consented to the 2005 Amendments as required by the Resolution.

Upon issuance of the Series 2007 Bonds, the Series 2007 Bondholders will be deemed to have consented to the 2005 Amendments (as described below under "Consent to Amendments"). When the Regents obtain consents of all insurance companies insuring those Outstanding Bonds which were issued prior to the Series 2005A Bonds, which the Regents expect to obtain before the Series 2007 Bonds are issued, the 2005 Amendments to the Resolution will become effective, resulting in the following covenants being in effect. [Note: Old covenants must be described, including funding of DSRF account, if consents of all bond insurers insuring pre-2005A Bonds are not obtained.]

### Covenant to Maintain Coverage

The Regents are obligated under the Resolution to establish and maintain rates, fees, and charges in amounts sufficient to produce Pledged Revenues in each year equal to 100% of the Debt Service on the Bonds and any Additional Bonds outstanding for each Fiscal Year. [Note: if all bond insurers insuring pre-2005A Bonds do not consent to the 2005 Amendments prior to the issuance of the Series 2007 Bonds, then the old covenant will stay in effect which would obligate the Regents to establish and maintain rates, fees, and charges in amounts sufficient to produce Pledged Revenues in each year equal to 125% of the Maximum Annual Debt Service on the Bonds and any Additional Bonds that may later be issued under the Resolution].

## Issuance of Additional Bonds

The Resolution provides that Additional Bonds secured by Pledged Revenues may be issued by the Regents upon the satisfaction of various conditions specified therein. The amount of Additional Bonds that may be issued is not limited by law or the Resolution.

The Resolution provides for the issuance of Additional Bonds to finance projects or to refund the Bonds issued under the Resolution and other obligations of the Regents or the University. In connection with the issuance of Additional Bonds, the Regents are required to file, among other things, the following documents with the Trustee:

- (i) A copy of the supplemental resolution authorizing the issuance of the Additional Bonds.
- (ii) A Written Certificate of the University to the effect that, upon the delivery of the Additional Bonds, the University will not be in default in the performance of any of the covenants, conditions, agreements, terms, or provisions of the Resolution or any supplemental resolution with respect to any Bonds.
- (iii) For so long as any of the Bonds issued prior to the Series 2005A Bonds are Outstanding, a Consultant's Report, and at any time that all of the Bonds issued prior to the Series 2005A Bonds shall cease to be Outstanding, a Written Certificate signed by an Authorized Officer of the University, in either case setting forth the then estimated completion date and the then estimated cost of construction of the project being financed by the Additional Bonds.
- (iv) A Written Certificate of the University showing that Estimated Pledged Revenues (assuming completion of the proposed project on its then estimated completion date) will equal at least 100% of the Debt Service on all Outstanding Bonds and any Additional Bonds proposed to be issued for each Fiscal Year of the University during which any Bonds will be Outstanding following the estimated completion date of the project being financed by the Additional Bonds, if interest during construction of the project being financed by the Additional Bonds is capitalized, or (2) the University's current Fiscal Year and any succeeding Fiscal Year during which any Bonds issued will be Outstanding, if interest during construction of the project being financed by the Additional Bonds is not capitalized.

[Note: if all bond insurers insuring pre-2005A Bonds do not consent to the 2005 Amendments prior to the issuance of the Series 2007 Bonds, then the old covenant with respect to Additional Bonds will stay in effect. Under such old covenant, clauses (i) through (iii) above are the same and clause (iv) above reads as follows:

- (a) an Accountant's Certificate certifying that Pledged Revenues for any period of 12 consecutive months during the preceding 24 months were at least equal to 125% of the Maximum Annual Debt Service for such 12-month period for any Bonds then Outstanding and any Additional Bonds proposed to be issued; and
- (b) a Written Certificate of the University showing that Estimated Pledged Revenues (assuming completion of the proposed project on its then estimated completion date) will equal at least 125% of the Maximum Annual Debt Service on all Outstanding Bonds and any Additional Bonds proposed to be issued for (1) each of the Fiscal Years of the University during which any Bonds will be Outstanding following the estimated completion date of the project being financed by the Additional Bonds, if interest during construction of the project being financed by the Additional Bonds is capitalized, or (2) the University's current Fiscal Year and any succeeding Fiscal Year during which any Bonds issued will be Outstanding, if interest during construction of the project being financed by the Additional Bonds is not capitalized.]

Refunding Bonds may be issued without compliance with the requirements above provided the Refunding Bonds do not increase Debt Service by more than \$25,000 per year.

### No Debt Service Reserve Account for the Series 2007 Bonds

Prior to the Amendments, the Regents were required to establish and maintain a Debt Service Reserve Account under the Resolution for each new Series of Bonds. As a result of the effectiveness of the 2005 Amendments upon issuance of the Series 2007 Bonds, the Resolution will no longer require the funding or maintenance of a Debt Service Reserve Account for the Series 2005 Bonds and Bonds issued thereafter, including the Series 2007 Bonds. However, as a condition to obtaining consent to the 2005 Amendments from insurance companies which insure Outstanding Bonds issued prior to the Series 2005 A Supplemental Resolution, the Debt Service Reserve Accounts which were established in connection with such Bonds will continue to be maintained until such Bonds are retired. Further, because the 2005 Amendments were not in effect at the time of issuance of the Series 2005 Bonds, a Debt Service Reserve Account was established for the Series 2005 Bonds upon issuance thereof. While such Debt Service Reserve Account will no longer be required to be maintained once the 2005 Amendments go into effect, the Regents determined to keep the amounts on deposit in the Debt Service Reserve Account for the Series 2005 Bonds in place because of the restrictions on release of such amounts contained in an investment agreement entered into by the Regents in connection with the Debt Service Reserve Account for the Series 2005 Bonds.

Amounts in the Debt Service Reserve Accounts established for such Outstanding Bonds will not be available as security for the Series 2007 Bonds. All Debt Service Reserve Accounts for the Refunded Bonds were funded by a deposit of a respective surety bond and all such surety bonds will be terminated upon issuance of the Series 2007 Bonds. [Note – If, prior to the issuance of the Series 2007 Bonds, the Regents do not obtain insurance companies' consents to the 2005 Amendments, as described under "Covenants" under this caption, a Debt Service Reserve Account for the Series 2007 Bonds will need to be funded with the Series 2007 Bonds proceeds in the amount of the Reserve Account Requirement.]

#### **Consent to Amendments**

As described above, the 2005 Amendments that required consent of the Owners of the Bonds were to take effect upon the sooner of (i) the date all of the Bonds issued prior to the Series 2005A Bonds ceased to be Outstanding; or (ii) the date upon which 60% of the Owners of the Bonds shall have consented to the 2005 Amendments pursuant to the Resolution and the insurance companies insuring all Bonds issued prior to the Series 2005A Bonds shall have consented to the 2005 Amendments as required by the Resolution.

In addition, the 2007 Supplemental Resolution amended the defeasance provisions of the Resolution to permit investment of escrowed funds in certain noncallable governmental obligations without consent of insurers of any Outstanding Bonds to such investment (the "2007 Amendments" and, collectively with the 2005 Amendments, the "Amendments"). The 2007 Amendments require consent of at least 60% of the Owners of the Outstanding Bonds and the insurance companies insuring all Outstanding Bonds.

Prospective purchasers of the Series 2007 Bonds are hereby advised that, by purchasing the Series 2007 Bonds, they will be deemed to have consented to the Amendments to the Resolution contained in the 2005A Supplemental Resolution and the 2007 Supplemental Resolution and that the Underwriter, as the initial purchaser of the Series 2007 Bonds, will consent to such Amendments on the date of issuance of the Series 2007 Bonds. The consent of the Series 2007 Bondholders will result in approximately \_\_\_% of the Outstanding Bonds having consented to the 2005 Amendments and approximately \_\_\_% of the Outstanding Bonds having consented to the 2007 Amendments. [In addition, the Regents have obtained consents to the Amendments from all insurance companies insuring Outstanding Bonds]. Accordingly, upon the issuance of the Series 2007 Bonds, all

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2005 Amendments (subject to exceptions described above relating to the maintenance of the Debt Service Accounts for the Series 2005A Bonds and the Outstanding Bonds issued prior to the Series 2005A Bonds) to the Resolution will become effective and the provisions of the Resolution as described in this Official Statement will be in effect.

### **Outstanding Bonds**; Additional Bonds

The Regents have previously issued (i) under the Activity Center Resolution, the Activity Center Bonds currently Outstanding in the aggregate principal amount of \$4,575,000, which have a prior lien on certain Pledged Revenues (see "Pledged Revenues" under this caption), (ii) under the Recreation Center Resolution, the Recreation Center Bonds which, following refunding of the Recreation Center Refunded Bonds, will be Outstanding in the aggregate principal amount of \$1,255,000\*, which have a prior lien on certain Pledged Revenues (see "Pledged Revenues" under this caption), and (iii) under the Resolution, the Parity Bonds which, following refunding of the Refunded Parity Bonds, will be Outstanding in the aggregate principal amount of \$54,770,000\*, which are secured by the Pledged Revenues on a parity lien basis, subject only to a prior lien on certain Pledged Revenues of the Activity Center Bonds and the Recreation Center Bonds. The Series 2007 Bonds will have a lien on the Pledged Revenues on parity with the Parity Bonds. The Activity Center Bonds, the Recreational Center Bonds and the Parity Bonds Outstanding as of June 30, 2007 are as listed in "SOURCES OF FUNDING FOR THE UNIVERSITY – Schedule of Outstanding Indebtedness."

In the Resolution, the Regents covenanted not to issue additional Activity Center Bonds or Recreation Center Bonds. Under the Resolution, the Regents have the right to issue additional Parity Bonds if certain conditions for such issuance are met. See "Covenants" under this caption for a list of some of such conditions.

## **BOND INSURANCE**

The following information has been furnished by the Insurer for use in this Official Statement. Such information has not been independently verified by the Regents, the University or their counsel. This information is not guaranteed as to accuracy or completeness by the Regents or the University and is not to be construed as a representation by the Regents or the University. Reference is made to APPENDIX F for a specimen of the Policy to be issued with respect to the Series 2007 Bonds by the Insurer.

## **Bond Insurance Policy**

Concurrently with the issuance of the Series 2007 Bonds, Financial Security Assurance Inc. ("Financial Security") will issue its Municipal Bond Insurance Policy for the Series 2007 Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Series 2007 Bonds when due as set forth in the form of the Policy included in APPENDIX F to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

<sup>\*</sup> Preliminary, subject to change.

## **Financial Security Assurance Inc.**

Financial Security is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("**Holdings**"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation, and of Dexia Credit Local, a direct whollyowned subsidiary of Dexia, S.A. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance, banking and asset management in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At June 30, 2007, Financial Security's combined policyholders' surplus and contingency reserves were approximately \$2,642,612,000 and its total net unearned premium reserve was approximately \$2,116,401,000 in accordance with statutory accounting principles. At June 30, 2007, Financial Security's consolidated shareholder's equity was approximately \$2,686,026,000 and its total net unearned premium reserve was approximately \$1,655,217,000 in accordance with generally accepted accounting principles.

The consolidated financial statements of Financial Security included in, or as exhibits to, the annual and quarterly reports filed after December 31, 2005 by Holdings with the Securities and Exchange Commission are hereby incorporated by reference into this Official Statement. All financial statements of Financial Security included in, or as exhibits to, documents filed by Holdings pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this Official Statement and before the termination of the offering of the Series 2007 Bonds shall be deemed incorporated by reference into this Official Statement. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Series 2007 Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Series 2007 Bonds or the advisability of investing in the Series 2007 Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Issuer the information presented under this caption for inclusion in the Official Statement.

## PLAN OF FINANCE

#### **Sources and Uses of Funds**

The estimated sources and uses of funds relating to the issuance of the Series 2007 Bonds are shown below.

SOURCES OF FUNDS:	Amounts Estimated
Series 2007A Bonds Par Amount	\$
Series 2007B Bonds Par Amount	
Net Premium	
TOTAL SOURCES OF FUNDS	\$
USES OF FUNDS:	
Deposit to Escrow Account (1)	\$
Deposit to the Series 2007B Construction Account (2)	
For Issuance Costs associated with the Series 2007 Bonds	
(including Underwriter's discount, bond insurance premium	
and Initial Liquidity Provider's fee)	
TOTAL USES OF FUNDS	\$

## **The Refunding Project**

The proceeds from the sale of the Series 2007A Bonds are being issued to provide funds which will be sufficient to advance refund a portion of the following Bonds of the Regents (referred to in this Official Statement as the "Refunded Bonds"): \$16,135,000\* principal amount of the Student Fee Revenue Bonds (Recreation Center Project), Series 1999 (the "Recreation Center Refunded Bonds") currently Outstanding in the aggregate principal amount of \$17,390,000; \$1,175,000\* principal amount of the Student Fee Revenue Bonds, Series 1999A (the "Series 1999A Refunded Bonds") currently Outstanding in the aggregate principal amount of \$1,270,000; \$4,970,000\* principal amount of the Student Fee Revenue Bonds (Sweet Avenue and University Campus Improvement Project), Series 1999B (the "Series 1999B Refunded Bonds") currently Outstanding in the aggregate principal amount of \$5,350,000; and \$38,035,000\* principal amount of the Student Fee Revenue Bonds, Series 2001 (University Housing Improvement Projects) (the "Series 2001 Refunded Bonds") currently Outstanding in the aggregate principal amount of \$39,915,000.

The 2007 Supplemental Resolution authorizes the Regents to enter into an Escrow Agreement with respect to the Refunded Bonds (the "Escrow Agreement") with Wells Fargo Bank, N.A., as Escrow Agent (the "Escrow Agent"). The 2007 Supplemental Resolution and the Escrow Agreement provide for

<sup>(1)</sup> See "The Refunding Project" under this caption.

<sup>(2)</sup> See "The Series 2007B Project" under this caption.

<sup>\*</sup> Preliminary, subject to change

the purchase of direct obligations of the United States and the deposit thereof and a cash balance into the Escrow Account (the "Escrow Account") created under, and administered pursuant to, the Escrow Agreement to pay the current interest and redemption price on the Refunded Bonds upon call for redemption on their first call date pursuant to the Escrow Agreement.

Causey Demgen & Moore, Inc. will deliver a report at the time of delivery of the Series 2007A Bonds on the mathematical accuracy of certain computations contained in the schedules provided to them on behalf of the Regents relating to: (a) the adequacy of the funds held in the Escrow Account to pay accrued interest and purchase price on the respective Refunded Bonds due pursuant to call for redemption, pursuant to the Escrow Agreement; and (b) the computations of the yield on the Series 2007A Bonds and the funds held in the Escrow Account. Such verification will be based, among other things, upon mathematical computations supplied by the Underwriter in connection with the matters set forth above. Co-Bond Counsel will rely on such report in issuing their opinion on the Series 2007 Bonds.

## The Series 2007B Project

The proceeds from the sale of the Series 2007B Bonds will be used by the Regents to finance certain electrical equipment upgrades and capital maintenance on, and replacement of, the University's utility corridor, central steam plant and central chiller and related improvements located on the University's Moscow, Idaho campus (the "Series 2007B Project"). These improvements are intended to address both building level and central utility infrastructure designed to create energy savings for the University. The University estimates that construction of the Series 2007B Project will begin in the summer of 2008 and be completed in fall of 2011. The University anticipates that the Series 2007B Project will generate energy savings for the University of approximately \$1.3 million in the first year after its completion and that these savings will grow at approximately 5% per year over the useful life of the infrastructure assets upgraded as part of the Series 2007B Project.

## **DEBT SERVICE REQUIREMENTS**

The following table sets forth the Annual Debt Service Requirements for the Regent's currently Outstanding Bonds (taking into account the refunding of the Refunded Bonds) and the Series 2007 Bonds:

	Outstandi	ing Bonds <sup>(1)</sup> *	Series 20	Series 2007 Bonds*		tal*
Fiscal Year	Principal	Interest	Principal <sup>(2)</sup>	Interest <sup>(3)</sup>	Principal <sup>(2)</sup>	Interest <sup>(3)</sup>
2000	<b>4.5.05</b> 0.000	<b>42.077.525</b>	Φ.		φ <b>ε 25</b> 0 000	
2008	\$5,270,000	\$2,955,626	\$-	\$2,011,134	\$5,270,000	\$4,966,760
2009	5,505,000	2,714,379	475,000	4,794,756	5,980,000	7,509,135
2010	4,840,000	2,461,060	1,410,000	4,773,975	6,250,000	7,235,035
2011	4,590,000	2,214,948	1,485,000	4,712,288	6,075,000	6,927,235
2012	3,565,000	1,980,953	2,135,000	4,405,463	5,700,000	6,199,380
2013	3,755,000	1,791,773	2,220,000	4,320,063	5,975,000	5,930,991
2014	3,950,000	1,589,393	2,315,000	4,231,263	6,265,000	5,646,249
2015	4,155,000	1,385,323	2,615,000	4,138,663	6,770,000	5,356,293
2016	4,365,000	1,172,890	2,715,000	4,032,563	7,080,000	5,044,764
2017	2,445,000	949,075	2,825,000	3,922,463	5,270,000	4,718,142
2018	2,565,000	827,788	2,935,000	3,807,963	5,500,000	4,489,967
2019	2,690,000	700,550	3,045,000	3,406,800	5,735,000	3,860,357
2020	2,305,000	567,113	3,170,000	3,285,000	5,475,000	3,613,950
2021	2,415,000	452,975	3,300,000	3,158,200	5,715,000	3,382,206
2022	2,070,000	333,388	3,430,000	3,026,200	5,500,000	3,140,188
2023	1,445,000	250,438	3,560,000	2,889,000	5,005,000	2,929,985
2024	1,500,000	192,638	3,700,000	2,746,600	5,200,000	2,740,109
2025	1,555,000	130,763	3,835,000	2,598,600	5,390,000	2,540,964
2026	1,615,000	66,619	1,850,000	2,445,200	3,465,000	2,334,542
2027	-	-	3,000,000	2,371,200	3,000,000	2,199,288
2028	_	-	3,115,000	2,251,200	3,115,000	2,087,988
2029	_	-	3,230,000	2,126,600	3,230,000	1,972,422
2030	-	-	3,355,000	1,997,400	3,355,000	1,852,589
2031	-	-	3,485,000	1,863,200	3,485,000	1,728,118
2032	-	-	3,620,000	1,723,800	3,620,000	1,598,825
2033	-	_	3,755,000	1,579,000	3,755,000	1,464,523
2034	-	-	3,900,000	1,428,800	3,900,000	1,325,212
2035	-	-	4,050,000	1,272,800	4,050,000	1,180,522
2036	_	-	4,205,000	1,110,800	4,205,000	1,030,267
2037	-	-	4,365,000	942,600	4,365,000	874,262
2038	-	_	4,535,000	768,000	4,535,000	712,320
2039	-	_	4,705,000	586,600	4,705,000	544,072
2040	_	_	4,885,000	398,400	4,885,000	369,516
2041	Ξ	Ξ	5,075,000	203,000	5,075,000	188,283
Total	\$60,600,000	\$22,737,686	\$106,300,000	\$89,329,590	\$166,900,000	\$107,694,453

<sup>(1)</sup> Does not include the Bonds expected to be refunded as Refunded Bonds. See "PLAN OF FINANCE – The Refunding Project."

<sup>(2)</sup> Assumes funding of the Debt Service Reserve Account for the Series 2007 Bonds with a surety bond in the event consents of all bond insurers which insure Outstanding Bonds issued before the 2005A Supplemental Resolution are not obtained prior to the issuance of the Series 2007 Bonds.

<sup>(3)</sup> Assumes an interest rate for the Series 2007A Bonds of 4.375% per annum and for the Series 2007B Bonds of 4.750% per annum during the respective Initial Term Interest Rate Periods and 4.00% per annum thereafter for each Series of the Series 2007 Bonds.

<sup>\*</sup>Preliminary, subject to change

## PRO FORMA AND HISTORICAL PLEDGED REVENUES

The following table shows the revenue sources that were pledged by the 2005A Supplemental Resolution, which created the General Revenue Bond System. Prior to the creation of the General Revenue Bond System, many of these revenue sources were not pledged to the payment of the Bonds. The Pledged Revenues are shown on a pro forma basis for the Fiscal Years 2003-2005 (which include those revenue sources not then pledged) and on a historical basis for Fiscal Years 2006 and 2007.

The data for Fiscal Years 2003-2006 is derived from the University's audited financial records and the data for Fiscal Year 2007 is derived from the University's unaudited financial records.

	2003	2004	2005	2006	$2007^{(3)}$
Source of Pledged Revenues					
Student Fees	\$32,538,158	\$35,126,457	\$48,029,987	\$51,976,798	\$55,433,037
Sales and Services Revenues	32,736,114	32,911,984	35,160,294	39,998,851	38,730,670
Other Operating Revenues	3,453,819	3,930,337	3,285,587	3,973,319	2,583,091
Investment Income <sup>(1)</sup>	1,380,835	1,008,247	2,240,420	3,350,565	4,939,436
F&A Recovery Revenues	8,535,791	9,526,705	9,494,846	9,524,924	9,290,119
Total Pledged Revenues <sup>(2)</sup>	\$78,644,717	\$82,503,730	\$98,211,134	\$108,824,457	\$110,976,353473
Debt Service on the Recreation Center Bonds and Activity Center Bonds	3,886,397	3,904,868	2,455,151	2,674,571	2,734,946
Revenues Available for Debt Service	\$74,778,320	\$78,598,862	\$95,755,983	\$106,149,886	\$108,241,407
Debt Service on Bonds <sup>(3)</sup>	\$6,052,936	\$6,895,363	\$7,499,819	\$8,706,257	\$8,696,341
Debt Service Coverage	12.4 <b>x</b>	11.4 <b>x</b>	12.8 <b>x</b>	12.2 <b>x</b>	12.4 <b>x</b>

<sup>(1)</sup> Differs from the information in the University's audited financial statements which include restricted investment income.

- (4) Represents actual debt service on the Outstanding Bonds due and paid during the Fiscal Years as indicated.
- (5) Based on unaudited financial information of the University.

Source: The University

The Debt Service Coverage of the Pledged Revenues in 2007 (after payment of maximum annual debt service of the Outstanding Activity Center Bonds and the Recreation Center Bonds which will continue to have a prior lien on Pledged Revenues) over the maximum annual debt service of Outstanding Bonds (after issuance of the Series 2007 Bonds and assuming refunding of the Refunded Bonds as shown under the caption "DEBT SERVICE REQUIREMENTS") would be 8.7x (2007 Pledged Revenues of \$110,976,353 less maximum annual debt service on the Outstanding Activity Center Bonds and Recreation Center Bonds of \$1,735,158 over maximum annual debt service on the Outstanding Bonds of

<sup>(2)</sup> The Pledged Revenues shown for Fiscal Years 2003, 2004 and 2005 are pro forma and include additional revenues added as Pledged Revenues under the 2005 Supplemental Resolution as though such amounts had been pledged during such Fiscal Years.

<sup>(3)</sup> Certain Pledged Revenues are pledged on a subordinate basis to the Activity Center Bonds and Recreation Center Bonds. Even following the effectiveness of the 2005 Amendments, certain Pledged Revenues will remain pledged to the Bonds on a basis subordinate to the lien thereon in favor of the Activity Center Bonds and Recreation Center Bonds. See "SECURITY FOR THE SERIES 2007 BONDS."

\$12,628,785 (which is the maximum annual debt service on all Outstanding Bonds in 2010 less the debt service on the Outstanding Activity Center Bonds and Recreation Center Bonds in the such year)).

### THE UNIVERSITY

### Generally

Student body representation at the University is from every state in the United States and approximately 80 foreign countries. The University alumni population exceeds 75,000. The University's main campus is located in Moscow, Idaho, a community of approximately 22,500 people in the northern portion of the State, about one-mile east of the Washington border and approximately 80 miles south of Coeur d'Alene, Idaho.

University property includes approximately 11,690 acres and 315 buildings, of which 1,428 acres and 251 buildings are located at its main campus in Moscow. The University operates twelve research centers and institutes and six demonstration and training farms with a total acreage of about 1,000 acres used by forestry and agricultural students. The University owns and actively manages 8,160 acres of forest lands, a wilderness field research station in Idaho's primitive area, a veterinary teaching center, and ten research and extension centers in agricultural areas throughout Idaho. The University also operates a Research Park in Post Falls and Resident Instructional Centers in Boise, Coeur d'Alene and Idaho Falls.

The University's academic structure includes ten degree-granting colleges: the Colleges of Agricultural and Life Science; Art and Architecture; Business and Economics; Education; Engineering; Graduate Studies; Law; Letters, Arts and Social Sciences; Natural Resources; and Science. In addition to degree programs in each of these colleges, the University includes a College of Graduate Studies and offers medical training for students in association with the University of Washington, School of Medicine. The University has several cooperative programs with Washington State University (located in Pullman, Washington, eight miles from Moscow), including a joint veterinary medical program. This cooperative graduate program has veterinary training facilities in Caldwell, Idaho, which are operated by the University. The University has an optional officer education program, leading to a regular or reserve commission in the U.S. Army, Navy, Marines or Air Force.

### **Student Body**

The University admits all Idaho residents who graduate from accredited high schools with an overall grade point average of at least 3.0 and who completed a defined set of core high school classes. Those with less than a 3.0 high school grade point average must meet set ACT or SAT scores. Home school students, graduates of non-accredited high schools, or students not meeting the admission criteria are considered by a special admission committee. Approximately 70% of the University's fall 2007 student body are residents of the State. The tables on the following page set out certain statistics concerning the University's enrollment for the Fall Terms of the years indicated.

**Five-year Historical Enrollment Summary** 

	2003	2004	2005	2006	2007		
Students	Fall Semester, 10th Day of Class						
Full-Time Equivalents (FTE)							
Head Count	10,673	11,073	11,040	10,792	10,252		
<b>Undergraduate Students</b>	Academic Head Count 10th Day of Class, Fall Semester						
Full-time:					_		
Residents	6,336	6,371	6,242	6,055	5,749		
Non-residents	1,877	2,044	2,172	2,335	2,386		
Subtotal	8,213	8,415	8,402	8,390	8,135		
Part-time:							
Residents	1,298	1,360	1,261	1,173	975		
Non-residents	251	293	251	281	285		
Subtotal	1,549	1,653	1,512	1,454	1,260		
Graduate Students							
Full-time:							
Residents	739	831	853	799	736		
Non-residents	624	667	647	557	509		
Subtotal	1,363	1,498	1,500	1,356	1,245		
Part-time:							
Residents	964	954	990	885	766		
Non-residents	334	374	408	391	333		
Subtotal	1,298	1,328	1,398	1,276	2,344		
Total Undergraduate	9,762	10,068	9,926	9,844	9,395		
<b>Total Graduate Students</b>	2,661	2,826	2,898	2,632	2,344		
Grand Total	12,423	12,894	12,824	12,476	11,739		
No. of Freshmen	Freshman Class Statistics, Fall Semester						
Applying	3,936	3,973	4,091	4,444	4,324		
Accepted	3,220	3,202	3,407	3,660	3,460		
Enrolled	1,646	1,601	1,605	1,675	1,575		
Resident	1,559	1,543	1,543	1,574	1,586		
Average ACT Score	23.18	23.35	23.14	23.11	23.25		
Average SAT Score	1106	1112	1100	1109	1098		
Average High School GPA	3.42	3.44	3.42	3.42	3.42		
Percentage graduating in the top							
20% of their high school class:	46.7%	49.1%	47.4%	49.5%	48.3%		

Source: University of Idaho

# **Housing and Student Union Facilities**

The University's housing and student union facilities (the revenues from which constitute Auxiliary Enterprise revenues pledged as part of the Pledged Revenues) currently include (i) 13 residence hall buildings containing dormitory style student living; (ii) four apartment complexes, providing housing for upper class students and students with families; (iii) the Idaho Commons Building (the "Commons"); and (iv) the Student Union Building (the "Student Union").

University Residence Halls. The 13 University residence halls can accommodate up to 2,238 students. The University's residence halls offer a variety of amenities including: (i) computer labs and inroom connections to high-speed networking; (ii) recreational and lounge space; (iii) laundry facilities; (iv) kitchen areas; and (v) academic/study space. Over the past five Fiscal Years, the average occupancy rate for the University's residence halls was 80.2%, and the occupancy rate for Fall 2007 was 80.5%.

University Apartments. Currently, the University has four apartment complexes, which provide 351 apartments ranging in size from one-bedroom to four bedrooms available for occupancy by students and their families. Amenities available at University apartment complexes include: (i) high-speed internet connections both in apartments and in apartment-complex computer labs; (ii) in-apartment laundry facilities; (iii) play areas; (iv) community centers; and (v) classroom and meeting room facilities. The average occupancy rate for the University's apartments over the past five Fiscal Years is 94.4%, and the occupancy rate for Fall 2007 was 94%.

Idaho Commons Building. Completed in 2000, the Idaho Commons Building is designed to be the center of campus life and provide programs, amenities, and services to enhance the educational experience of University students. The Commons is a multi-use facility with approximately 100,000 square feet. The facility houses offices for student government, other student organizations, conference rooms with state of the art technology, and academic support services. In addition, the Commons has an information desk, food court, coffee shop, convenience store, satellite University bookstore, credit union, copy center, art gallery, computer kiosks, ATMs and administrative offices. The facilities infrastructure includes high-speed LAN and video data capabilities, public lounges, wireless network, computer checkout, and flat screen monitors to provide information about building and campus activities.

Student Union Building. The approximately 103,500 square foot Student Union is a multi-use facility. Student services were relocated to the Student Union after completion of a renovation in 2000. Currently, the facility houses Student Accounts, the Registrar, Admissions, Student Financial Aid, New Student Services, Jazz Festival, College Assistance Migratory Program, and Student Media Services. In addition, the Student Union has an information desk, conference facilities, including a large ballroom, a movie theatre, and several small meeting rooms, a cafe, ATMs, and a computer lab.

## **Spectator and Recreation Facilities**

The University's spectator and recreation facilities (the revenues from which constitute Auxiliary Enterprise revenues pledged as part of the Pledged Revenues, except for certain revenues with a prior pledge to the Activity Center Bonds and the Recreation Center Bonds) include the Kibbie Dome, the Memorial Gym, the Recreation Center, the Dan O'Brien Track Complex, and the University Golf Course. Following is a brief description of these facilities.

Kibbie Dome. The Kibbie Dome was originally constructed in 1972 and is North Idaho's largest athletic spectator facility. It is used for intercollegiate home football games, basketball games, indoor track and field events, as well as high school football playoffs, the Lionel Hampton Jazz Festival, concerts, sport camps, conferences, classes, intramurals, student club activities, and University commencements. In 1984, the "East End" was added to the Kibbie Dome and includes a weight room, recreational and varsity locker rooms, eight racquetball courts, and athletic training rooms and offices. The University recently completed another expansion of the Kibbie Dome to add the "Vandal Athletic Center," which includes a 7,000 square foot weight room, a 1,500 square foot exercise area, an aquatic exercise pool, and a new foyer.

*Memorial Gym.* The Memorial Gymnasium, constructed in 1928, is the oldest athletic building on campus. The building serves as one of the University's indoor sports and entertainment complexes. In

addition to hosting varsity volleyball and basketball, Memorial Gym is used for concerts, community events, state gymnastics meets, regional basketball tournaments, intramural activities and physical education classes, and houses a gymnasium, multi-purpose room, combative room, locker rooms, and various offices.

The Recreation Center. The Student Recreation Center was completed in 2002. It is approximately 85,500 square feet in size, and includes more than 7,200 square feet of open recreational space, two regulation-size basketball courts, a multipurpose gymnasium, a large aerobics/cardiovascular multipurpose workout space, a running track, a climbing wall, a child care center, a first-aid and athletic training area, classroom and activity spaces, a cafeteria, and space for rental of recreational equipment.

Dan O'Brien Track Complex. The Dan O'Brien Track, named in 1996 for University alumnus and 1996 Olympic Decathlon Gold Medalist Dan O'Brien, was constructed in 1969, and serves as the University's outdoor varsity and recreational track facility. It consists of a 400-meter, 8-lane track, a long jump area, a throwing area, a high jump area, a pole vault area, coaches' offices, and spectator facilities that accommodate approximately 1,000 spectators.

*University Golf Course*. The University owns and operates an 18-hole golf course on the University's Moscow campus. The course is open to the public approximately eight months each year and provides lessons, cart and club rentals, and a retail pro shop.

# **Parking Facilities**

Currently, the University operates and maintains 89 surface parking lots with a total of approximately 7,000 parking spaces. The University has a comprehensive parking plan to ensure that the parking system is financially self-supporting.

# **Employees and Faculty**

As of August 20, 2007, the University had 3,019 employees, consisting of 875 faculty, 562 Research Assistants/Teaching Assistants (which are not considered to be part of the faculty) and 1,582 staff and administration. The student to faculty ratio in the same Fiscal Year is 13.4 to 1. Employees are not subject to the State's civil service system; however, the University has adopted a personnel policy with respect to classified employees that is substantially similar to the State's civil service system. The University is not a party to any collective bargaining agreements, although there are employee associations that bring any salary issues and concerns to the attention of the University. The University considers its relations with its employees to be good.

## **Employee Retirement Plan; Post Retirement Health Benefits**

Most employees of the University are eligible for one of two retirement plans: the State of Idaho's "Public Employees Retirement System of Idaho" ("**PERSI**") and the "Optional Retirement Plan" ("**ORP**"), which has been offered to non-classified employees since 1990.

PERSI provides a defined benefit plan and covers eligible classified and exempt personnel who work 20 hours or more per week. The membership of PERSI includes employees of the State of Idaho, teachers, firemen, police and employees of political subdivisions, local school districts, colleges and universities.

Faculty and exempt staff hired on or after July 1, 1990, have been enrolled in the ORP and faculty and exempt staff hired before that date were offered a one-time opportunity in 1990 to withdraw from

PERSI and join the ORP. The ORP is a portable, defined contribution retirement plan with options offered by Teachers' Insurance and Annuity Association/College Retirement Equities Fund and Variable Annuity Life Insurance Company. The total contribution rate will be the same for all employees, with a portion of the employer's contribution for ORP members being credited to the employee's account and a portion to the PERSI unfunded liability until 2015. The ORP covers eligible exempt personnel who work 20 hours or more per week. Based on the unaudited financial statements for the Fiscal Year 2007, the University had no unfunded obligations for post employment retirement benefits in Fiscal Year 2007.

In addition, the University has taken proactive steps to effectively manage and reduce its GASB 45 liability for obligation of post employment benefits (OPEB) related to retiree health. Program changes which include steeper eligibility requirements, retiree cost sharing, integration with Medicare Prescription Drug programs and elimination of some future benefits have reduced the Annual Required Contribution (ARC) from projections of \$28.1 million as forecast in Fiscal Year 2003 to \$7.7 million for Fiscal Year 2008. The University's GASB liability will be recorded and recognized on its financial statements for the first time in Fiscal Year 2008. The University expects that this liability will be fully funded in Fiscal Year 2008.

For information concerning post retirement health benefits, see NOTE 12, "RETIREMENT PLANS – POSTRETIREMENT BENEFITS OTHER THAN PENSIONS," of "APPENDIX A – FINANCIAL STATEMENTS OF THE UNIVERSITY FOR THE YEARS ENDED JUNE 30, 2006 AND JUNE 30 2005."

#### Insurance

The University maintains liability, property, and employee fidelity insurance in amounts deemed adequate by University officials. The University has a full-time risk management staff that administers insurance coverage and claims, and reviews the adequacy of such policies and verifies the University's compliance with insurance requirements imposed by agreements, such as the Resolution. As of July 1, 2007, the total insured replacement value of the University's buildings, contents and improvements was approximately \$1,237 million.

The University began self-funding its medical and dental programs for active employee and retiree health starting July 1, 2005. Self-funding is a financial arrangement in which medical claims are administered by a third-party administrator, but paid directly from University funds instead of by an insurer. The financial risk of the self-funding arrangement is managed through the creation of a financial reserve established by the University to fund unexpected claims and incurred-but-not-reported claims in the event that the self-funding arrangement is ever terminated. In addition, the University's financial exposure for unexpected claims are limited through the purchase of reinsurance (stop-loss coverage) for both individual and aggregate claim liability. When comparing self-funded cost to a fully insured program, the University has saved more than \$4 million in cost under the self-funded health arrangement over the past two Fiscal years.

The University continues to take a pro-active approach to managing the rising cost of health care. In January 2008, the University expects to introduce a consumer-directed high deductible plan, programs that create incentives for healthy behaviors, and a cafeteria or menu of benefit options in a program called "CustomChoices". The University expects that this method of delivery, like a consumer-directed approach and rewards for healthy behaviors would help foster employee accountability and a partnership in the cost and future cost of health care.

## SOURCES OF FUNDING FOR THE UNIVERSITY

The University relies on a number of sources of funding for the achievement of its educational and research missions. The principal sources of revenues are: direct appropriation of State general account revenues by the Idaho Legislature, Student Fees, federal government appropriations and grants, gifts to the University, Investment Income, revenues derived from property holdings of the University, land grant endowments received pursuant to the University's land grant status, Sales and Service Revenues and Other Revenues. See "APPENDIX A – FINANCIAL STATEMENTS OF THE UNIVERSITY FOR THE YEARS ENDED JUNE 30, 2006 AND JUNE 30, 2005." Of these revenue sources, Student Fees, Investment Income, Sales and Services Revenues, and Other Revenues are pledged to the Bonds, including the Series 2007 Bonds, except certain of these revenues are pledged on a subordinate basis to the extent such revenues were previously pledged to the Activity Center Bonds and the Recreation Center Bonds. See "SECURITY FOR THE SERIES 2007 BONDS" herein for a description of University revenues pledged to the Bonds. The University's other revenue sources not constituting Pledged Revenues are more fully discussed below.

## **State Appropriations**

Legislatively approved State general account appropriations represent slightly more than 37% percent of the total University budget. The State legislature meets beginning in January of each calendar year and sets budgets and appropriations for all agencies and departments of State government for the Fiscal Year beginning on the ensuing July 1. The legislature may also make adjustments to budgets and appropriations for the Fiscal Year during which the legislature is meeting.

If in the course of a Fiscal Year, the Governor determines that the expenditures authorized by the Legislature for the current Fiscal Year exceed anticipated revenues expected to be available to meet those expenditures, the Governor by executive order may reduce ("Holdback") the spending authority on file in the office of the Division of Financial Management for any department, agency, or institution of the State or request a reversion ("Reversion") of appropriations back to the State to balance the State budget. There have been no Holdback or Reversion since Fiscal Year 2003 and no Holdbacks or Reversions have been announced for Fiscal Year 2008.

The table below sets forth the legislative appropriation from the State General Fund for colleges and universities and for the University net of Reversions. The appropriations have consistently increased in the last five Fiscal Years and are expected to continue to increase in Fiscal Year 2008.

## **Schedule of State General Account Appropriations**

Fiscal Year	$2003^{1}$	2004	2005	2006	2007
All Colleges and Universities	\$213,600,000	\$218,000,000	\$223,400,000	\$228,900,000	\$243,700,000
University of Idaho	103,600,000	109,800,000	114,300,000	120,400,000	123,192,100
Percentage Increase of Appropriations for the University of Idaho	%	6.0%	4.1%	5.3%	2.3%

1 Net of a \$7,323,100 Reversion for all colleges and universities and a \$3,218,700 Reversion for the University.

### **Grants and Contracts**

The United States government and various other public and private sponsoring agencies, through various grant and contract programs, provide a substantial percentage of the University's operating revenues. The use of such funds is usually restricted to specific projects. Such revenues include grants and contracts for research, public service, instruction and training programs, fellowships, scholarships, endowment scholarship programs, and student aid programs, and grants for construction projects. The University believes it has complied with all material conditions and requirements of these various grants and contracts.

#### **Financial Assistance**

Financial assistance, primarily in the form of student loans, scholarships, grants, student employment, awards, and deferred payments, is available to students. The University believes that the amount of available financial aid is adequate. During the 2006–2007 academic year, the total financial assistance to students received at the University was approximately \$80 million, of which approximately \$48 million was in the form of direct student loans. No assurance can be given that the level of assistance available in the past will continue.

# **Federal Appropriations**

In accordance with the University's designation as a land grant institution, the United States government provides the University with funds for specific programs. Like most federal governmental programs, however, there is no assurance that these funds will continue to be appropriated.

### **Land Grant Endowments**

The University is the State's land grant university, and as such is entitled to revenues from certain State lands.

## **Budget Process/Financial Reports**

The University operates on an annual budget system. Its Fiscal Year begins July 1 of each year. The budget process, as well as the administration of the expenditures authorized through the process, is administered through the offices of the President and the Vice President for Finance and Administration in collaboration with the departmental faculty and other administrative officers. The internal budget process concludes with a general budget proposal for the following Fiscal Year being submitted in consolidated form by the University administration to the Regents in August of each year.

The University's budget is approved by the Regents prior to the commencement of the Fiscal Year, usually at the June meeting. At that meeting, the Regents, in their capacity as members of the State Board of Education, approve the annual budgets for the other institutions of higher education as well.

### **Future Plans**

The Regents expect to issue Additional Bonds under the Resolution in the next three to four years to finance capital projects in various stages of planning and the University expects to continue to have a need for maintaining, improving and expanding its capital facilities. Such projects are expected to include renovations of student rooms and repair of various building sub-systems, modernization of building utility systems to enhance research activities in aging science building and renovation of two 1930's buildings for use as a faculty office complex. Sources of funds for these projects include State-

appropriated funds, dedicated funds, bonded indebtedness, donations and private support. The University is in the first year of an updated six-year capital improvement plan.

# **Schedule of Outstanding Indebtedness**

Set forth below is the schedule of outstanding indebtedness of the Regents as of June 30, 2007 incurred to provide funding for the University, which does not reflect the issuance of the Series 2007 Bonds or the refunding of the Refunded Bonds.

	Date 1	Final Maturit	Amount of y Original	Amount of Debt
Name of Issue	Incurred	Date	Indebtedness	Outstanding
General Revenue Bonds				
Student Fee Refunding Revenue Bonds, Series 1997B	1997	2016	\$ 12,380,000	\$ 8,905,000
Student Fee Revenue Bonds (Elmwood Apartments Acquisition Project), Series 1999A (1)	1999	2025	1,470,000	1,270,000
Student Fee Revenue Bonds (Sweet Avenue and University Campus Improvement Projects) Series 1999B <sup>(1)</sup>	1999	2025	6,150,000	5,350,000
Student Fee Revenue Bonds (University Infrastructure and Facilities Improvement Projects), Series 1999C	1999	2019	6,305,000	580,000
Student Fee Revenue Bonds (University Housing Improvement Projects), Series	S			,
2001 <sup>(1)</sup>	2001	2041	40,930,000	39,915,000
Student Fee Refunding and Revenue Bonds, Series 2003	2003	2014	17,585,000	12,870,000
General Revenue Refunding Bonds, Series 2005A	2005	2026	30,740,000	30,060,000
Subtotal			\$115,560,000	\$98,950,000
Activity Center Bonds				
Student Fee Refunding Revenue Bonds, Series 1996	1996	2013	\$ 9,285,000	\$4,375,000
Student Fee Revenue Bonds (University Commons Supplemental Project), Series 1997	1997	2022	5,620,000	200,000
Subtotal	1771	2022	\$ 14,905,000	\$4,575,000
Recreation Center Bonds				
Student Fee Revenue Bonds (Recreation Center Project), Series 1999 <sup>(1)</sup>	1999	2025	\$ <u>20,115,000</u>	\$ 17,390,000
Total Bonded Indebtedness <sup>(2)</sup>			\$ <u>150,580,000</u>	\$120,915,000
Other indebtedness, consisting of notes payable and line-of-credit with interest rates ranging from 4.75% to 5.00%, due through the year 2019	2002	2019	\$1,300,000	\$986,928

<sup>(1)</sup> Expected to be refunded in part as part of the Refunded Bonds. See "PLAN OF FINANCE - The Refunding Project."

Source: University of Idaho

<sup>(2)</sup> Does not take into account the issuance of the Series 2007 Bonds, or the refunding of the Refunded Bonds.

## UNIVERSITY GOVERNANCE AND ADMINISTRATION

The responsibility for overall management and determination of University policy and standards is vested with the Regents of the University of Idaho who also serve as the Idaho State Board of Education and simultaneously, among other duties, the Trustees for Boise State University, Idaho State University in Pocatello and Lewis-Clark State College in Lewiston and as the State Board for Professional—Technical Education. The combined boards are appointed by the Governor for five—year terms. The membership, terms, residences and occupations are listed below.

## The Board of Regents of the University and The State Board of Education

Name	Residence	Occupation	Term Expires (March 1)
Milford Terrell (President)	Boise	Owner/President of DeBest Plumbing	2012
Paul C. Agidius (Vice President)	Moscow	Attorney	2011
Sue Thilo (Secretary)	Coeur d'Alene	Community Leader	2009
Laird Stone	Twin Falls	Attorney	2008
Blake G. Hall	Idaho Falls	Attorney	2010
Tom Luna*	Boise	State Superintendent of Public Instruction	*
Roderic W. Lewis	Boise	General Counsel, Micron Technology, Inc.	2010
Richard Westerberg	Preston	County Commissioner	2009

<sup>\*</sup> Mr. Luna serves ex-officio to the State Board of Education in his capacity as State Superintendent of Public Instruction, which is a statewide elective office.

The State Board of Education has a full–time professional staff headed by Karen McGee, Interim Executive Director. Her appointment became effective May 29, 2007.

### **University Officers**

The affairs of the University are managed by the President of the University and the staff. The President is appointed by, reports to, and serves at the pleasure of the Regents. Following is a brief biographical resume of President White and his executive staff at a Vice President level:

Timothy P. White, President, assumed his position at the University of Idaho on August 1, 2004. He received his Ph.D. from the University of California, Berkeley, following baccalaureate and master's degrees from California State University Fresno and Hayward, respectively. He spent two years as a post-doctoral scholar at the University of Michigan before starting his academic career in Ann Arbor in 1978. Previously he served Oregon State University as Provost and Executive Vice President since January 2000, with an interim appointment as President from late December 2002 to August 2003. Dr. White worked through the academic ranks at Michigan and left in 1991 as Professor and Chair of the Department of Movement Science in the Division of Kinesiology, and Research Scientist in the Institute of Gerontology. He then became Professor and Chair of the Department of Human Biodynamics in the College of Letters and Science, University of California Berkeley. He is internationally recognized for his work in muscle plasticity, injury, and aging.

Douglas D. Baker, Provost and Executive Vice President, assumed his position at the University of Idaho in 2005. He previously served Washington State University as Vice-Provost for Academic

Affairs from 1998 to 2005 and Director of the Office of Undergraduate Education from 2003 to 2005. Dr. Baker is fully engaged in active strategic planning and implementation at the University of Idaho and is interested in developing work across organizational units for greater effectiveness. Dr. Baker taught courses in Management, Organizational Behavior, Organizational Design, Strategic Planning, Human Resource Management and Research Methods as a Professor of Management at Washington State University where he began in 1981 as an Assistant Professor. He has received numerous awards for teaching excellence including the Shell Oil Distinguished Undergraduate Teaching Award in 1990 and in 1984. Dr. Baker received his Ph.D. from the University of Nebraska, following baccalaureate and master's degrees from Colorado State University. He has worked as a consultant to national and international businesses.

Lloyd Mues, Vice President of Finance and Administration, assumed his position at the University of Idaho on May 2, 2006. He received a Bachelor of Science, Wildlife & Fisheries Resources from the University of Idaho in 1976 and a Masters of Personnel Management from Webster University in Kansas City, Missouri in 1983. He also attended the U.S. Army Organizational Leadership and Management Development Course and the U.S. Army Command and General Staff College in Leavenworth, Kansas. Lloyd served 30 years as a U.S. Army Officer, as well as a professor of Military Science at Portland State University and the University of Idaho. He culminated a federal service career overseeing 56 separate university level Army officer production programs throughout the Pacific Northwest, Alaska, Hawaii, American Samoa and Guam. Lloyd served as the Assistant Vice President of Auxiliary Services at the University of Idaho before being appointed to his current position as the Vice President of Finance and Administration. He lends his extensive experience in the leadership of budget, accounting and investments; business affairs and operations; safety and risk management; human resource operations; information technology systems; auxiliary services; and facilities management.

Dr. John C. Tracy, Vice President for Research and Director of the Idaho Water Resources Research Institute at the University. Dr. Tracy received his B.S. degree in Civil Engineering at Colorado State University in 1980, and his M.S. and Ph.D. degrees in Civil Engineering at the University of California at Davis in 1986 and 1989 respectively. He has held academic positions at Kansas State University (Civil Engineering Department from 1989 to 1992), South Dakota State University (Civil Engineering Department from 1992 to 1996) the Desert Research Institute (Division of Hydrologic Sciences 1997 to 2004). During his time at the Desert Research Institute he became Executive Director of the Center for Watersheds and Environmental Sustainability. Dr. Tracy has worked on numerous research projects and authored or co-authored over 70 technical publications in the areas of watershed planning, watershed restoration, the development of modeling tools for environmental systems and remediation of contaminated soils. His most recent work has focused on environmental planning at the watershed scale and has included: the development of a conceptual model of the integration of physical and socio-economic processes in the Lake Tahoe basin; and the development of watershed scale planning models for use in evaluating plans to restore Walker Lake (Nevada).

Christopher D. Murray, Vice President for University Advancement, assumed his position at the University in May 2006. Mr. Murray received his B.A. degree in Journalism at the University of Southern California in 1983, and his Masters of Business Administration at the University of Southern California in 1995. Prior to joining the University, he held academic positions at the University of Southern California (Director of Corporate Relations, Central Development, from 1991 to 1994; Director of Development, Marshall School of Business, from 1994 to 1996) and the University of Oregon (Associate Dean, External Affairs – Lundquist College of Business, from 1997 to 2006). He served as a director of The Muscular Dystrophy Association (MDA) from 1983 to 1991 and as Executive Director of The Scleroderma Research Foundation from 1996 to 1997. Mr. Murray is responsible for advancement efforts including designing, articulating and leading comprehensive fund raising, providing oversight and alignment of activities in the development office, alumni relations, and marketing communications

programs. He also serves as executive director of the University of Idaho Foundation, responsible for organizing, supporting and directing volunteers in fundraising and advancement efforts.

Kent E. Nelson, was appointed as General Counsel to the University on September 17, 2006. Prior to his appointment he served from June 1998 to September 2006 as the Senior Deputy Attorney General in the Contracts and Administrative Law Division of the Idaho Attorney General, where he served as special projects counsel to the Idaho Board of Land Commissioners and as general counsel to various state agencies including the State Board of Education and Board of Regents of the University of Idaho. From September 1984 to June 1998 he was in general civil practice in Boise, Idaho with emphasis in real estate, transactions, creditors rights and civil litigation. Mr. Nelson received a bachelor's degree in accounting from the University of Idaho in 1980 and a Juris Doctor in law from the University of Idaho College of Law in 1984.

## **University of Idaho Foundation**

The Foundation is a nonprofit corporation organized under Idaho law in 1970. Its purpose is to receive, manage and otherwise deal in property and apply the income, principal and proceeds of such property for the benefit of the University. A 25-member board of directors, elected annually by the Foundation members, manage the Foundation.

The Foundation receives all gifts to the University and transfers such gifts to the donor-designated area within the University on a regular schedule. In addition, it manages the endowment funds in a pooled investment fund referred to as the Consolidated Investment Trust (the "CIT"). Earnings from the CIT are transferred annually to the University. Some funds invested in the CIT are held in trust for the University and are shown as an asset and liability on the Foundation financial statements.

## [Describe dispute and settlement regarding University Plan in Boise.]

Since Fiscal Year 2004, the University has been required to discretely present the Foundation as a component unit. Financial information concerning the Foundation is contained in Note 15 to the University's audited financial statements included in **APPENDIX A** hereto.

### TAX EXEMPTION

In the opinion of Skinner Fawcett and Ballard Spahr Andrews & Ingersoll, LLP, as Co-Bond Counsel to the Regents, based on an analysis of currently existing laws, regulations, decisions and interpretations, and assuming, among other matters, continuing compliance with certain covenants, interest on the Series 2007 Bonds is excludable from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations, but such interest is included in earnings and profits in computing the federal alternative minimum tax imposed on certain corporations. Co-Bond Counsel are also of the opinion that, under currently existing law, interest on the Series 2007 Bonds is exempt from State of Idaho income taxes.

The Internal Revenue Code of 1986, as amended (the "Code"), contains a number of requirements and restrictions which apply to the Series 2007 Bonds. The University has covenanted to comply with all such requirements and restrictions. Failure to comply with certain of such requirements and restrictions may cause interest on the Series 2007 Bonds to become includible in gross income for federal income tax purposes retroactive to the date of the issuance of the Series 2007 Bonds. Co-Bond Counsel have assumed, without undertaking to determine or confirm, continuing compliance by [the

University] with such requirements and restrictions in rendering their opinions regarding the tax-exempt status of interest on the Series 2007 Bonds.

Although Co-Bond Counsel will render opinions that interest on the Series 2007 Bonds is excludable from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2007 Bonds may otherwise affect a Bondowner's tax liability. The nature and extent of these other tax consequences will depend upon the Bondowner's particular tax status and the Bondowner's other items of income or deduction. Co-Bond Counsel express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2007 Bonds.

Original Issue Premium. Certain of the Series 2007 Bonds may be offered at a premium ("original issue premium") over principal amount. Original issue premium is amortizable periodically over the term of a Series 2007 Bond through reductions in the holder's tax basis for the Series 2007 Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the Series 2007 Bond rather than creating a deductible expense or loss. Series 2007 Bondholders should consult their tax advisers for an explanation of the amortization rules.

Original Issue Discount. Certain of the Series 2007 Bonds may be offered at a discount ("original issue discount") equal generally to the difference between public offering price and principal amount. Original issue discount on a Series 2007 Bond accrues as tax-exempt interest periodically over the term of the Series 2007 Bond. The accrual of original issue discount increases the holder's tax basis in the Series 2007 Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Series 2007 Bondholders should consult their tax advisers for an explanation of the accrual rules.

Recent Supreme Court Review. On May 21, 2007, the U.S. Supreme Court agreed to review a Kentucky state court decision on the issue of whether the U.S. Constitution precludes states from giving more favorable tax treatment to state and local government bonds issued within that state than the tax treatment given bonds issued outside that state. The outcome of this or any similar case cannot be predicted, but the ultimate result could be a change in the treatment for state tax purposes of obligations such as the Series 2007 Bonds, including whether interest on the Series 2007 Bonds is exempt from State of Idaho income tax.

<u>Information Reporting and Backup Withholding</u>. Payments of interest on tax-exempt obligations, including the Series 2007 Bonds, are generally subject to IRS information reporting by the payor and "backup withholding" if the recipient has not furnished the payor with a completed Form W-9, certifying the recipient's tax identification number or basis for exemption. "Backup withholding" means that the payor will withhold tax from the interest payments at the backup withholding rate, currently 28%.

If an owner purchasing a Series 2007 Bond through a brokerage account has executed a Form W-9 in connection with the account, as generally can be expected, there should be no backup withholding of interest on such Series 2007 Bond. In any event, backup withholding does not affect the excludability of the interest on the Series 2007 Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

### **UNDERWRITING**

The Series 2007 Bonds are being purchased by George K. Baum & Company, acting as the Underwriter. The Bond Purchase Agreement, entered into between the Underwriter and the Regents, provides that the Underwriter will purchase the Series 2007 Bonds at an aggregate price of \$\_\_\_\_\_\_\_ representing (i) \$\_\_\_\_\_\_ aggregate par amount of the Series 2007 Bonds, plus (ii) net original issuance premium of \$\_\_\_\_\_\_, minus (iii) an underwriter's discount of \$\_\_\_\_\_\_. After initial public offering, the public offering prices may vary from time to time. Under the Bond Purchase Agreement, the Underwriter is obligated to purchase all of the Series 2007 Bonds if any are purchased. The Underwriter reserves the right to join with dealers and other underwriters in offering the Series 2007 Bonds to the public.

The Underwriter may offer and sell the Series 2007 Bonds to certain dealers (including dealers depositing the Series 2007 Bonds in investment trusts) and others at prices lower than the offering prices stated on the cover page of this Official Statement. The initial public offering prices stated on the cover page may be changed from time to time by the Underwriter.

### **RATINGS**

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services ("S&P") have assigned their municipal bond ratings of "\_\_\_\_\_" and "\_\_\_\_\_," respectively, to the Series 2007 Bonds based on the insurance coverage provided by Financial Security Assurance Inc. Moody's and S&P have assigned underlying ratings of "A1" and "A+," respectively, to the Series 2007 Bonds. The ratings reflect only the views of the rating agencies, and an explanation of the significance of the ratings may be obtained from the rating agencies. There is no assurance that such ratings will continue for any given period of time or that the ratings may not be revised or withdrawn entirely if, in the judgment of the rating agencies, circumstances so warrant. Any downward revision or withdrawal of such ratings will be likely to have an adverse effect on the market price or marketability of the Series 2007 Bonds.

## **CONTINUING DISCLOSURE**

The Regents and the Trustee have entered into a "Continuing Disclosure Agreement" pursuant to which the Regents will provide to the Trustee within 180 days following the end of its Fiscal Year a copy of the University's annual audited financial statements and such other specified financial, statistical and operating data for such Fiscal Year in form and scope similar to the financial, statistical and operating data included in this Official Statement. The Regents also have agreed to deliver to the Trustee notice of the events described in paragraph (b)(5)(i)(C) of Rule 15c2-12 as promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"). The Trustee has agreed to deliver the information and the notices described in the preceding two sentences upon receipt thereof from the Regents to each nationally recognized municipal securities information repository and to the State of Idaho information depository, if any, and to deliver any notice of an event described in paragraph (b)(5)(i)(C) of Rule 15c2-12 to the Municipal Securities Rulemaking Board. The Trustee also agrees that if it has knowledge that the Regents have not delivered the University's annual audited financial statements or have not provided the financial, statistical and operating data as described above or if it has knowledge of the occurrence of an event described in clauses (1), (3) or (4) of paragraph (b)(5)(i)(C) of Rule 15c2-12, it will directly notify such nationally recognized municipal securities information repository and the Municipal Securities Rulemaking Board of the Regents' failure to deliver such information or the occurrence of such event.

The Regents have not failed to perform any obligation with respect to any existing undertakingl to provide continuous disclosure under the Rule. A failure by the Regents to comply with the Continuing Disclosure Agreement will constitute an event of default under the Continuing Disclosure Agreement or the Resolution and will entitle any Bondholder (including any Beneficial Owner) to bring an action for specific performance and to take such other remedies as are provided in the Continuing Disclosure Agreement.

A failure by the Regents to comply with the Continuing Disclosure Agreement must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2007 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2007 Bonds and their market price.

### **LITIGATION**

The Regents have reported as of the date hereof that there is no litigation pending or threatened that, if decided adversely to the interests of the Regents or the University, would have a materially adverse effect on the operations or financial position of the Regents or the University. There is no litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the Series 2007 Bonds or in any way contesting or affecting the validity of, or having a material adverse effect on, the Series 2007 Bonds, the pledge and application of Pledged Revenues or the existence or powers of the Regents or the University.

### **VERIFICATION AGENT**

Causey Demgen & Moore Inc. will deliver its report indicating that it has examined, in accordance with the standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of the mathematical computations of the adequacy of the deposit of proceeds of the Series 2007 Bonds under the Escrow Agreement to pay interest of the Refunded Bonds on their respective Payment Dates and the redemption price of the Refunded Bonds.

# **LEGAL MATTERS**

All legal matters incident to the authorization and issuance of the Series 2007 Bonds are subject to the approval of Skinner Fawcett, Boise, Idaho, and Ballard Spahr Andrews and Ingersoll, LLP, Salt Lake City, Utah, as Co-Bond Counsel to the Regents, whose approving opinion will be delivered with the Series 2007 Bonds and the form of which is attached in **APPENDIX H** to this Official Statement. Certain legal matters will be passed upon for the Regents and the University by the University's Counsel, Kent E. Nelson, Esq., Moscow, Idaho, for the Initial Liquidity Facility Provider by Sidley Austin, LLP, Los Angeles, California and for the Underwriter by Hogan & Hartson LLP, Denver, Colorado.

### INDEPENDENT AUDITORS

The audited financial statements of the University as of and for the Fiscal Years ended June 30, 2005 and June 30, 2006, included in this Official Statement as **APPENDIX A**, have been audited by Moss Adams LLP, independent auditors, as stated in their report appearing therein. These financial statements are the most recent audited financial statements of the University.

# **MISCELLANEOUS**

This Official Statement, and its distribution and use by the Underwriter, have been duly authorized and approved by the Regents.

 $\textbf{APPENDICES A} \ \text{through} \ \textbf{H} \ \text{are an integral part of this Official Statement and must be read together with all other parts of this Official Statement.}$ 

THE REG	ENTS OF	THE UNIV	VERSITY OI	F IDAHO
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By: _	
	Lloyd Mues, Vice President for Finance and
	Administration and Bursar

# APPENDIX A

# FINANCIAL STATEMENTS OF THE UNIVERSITY FOR THE YEARS ENDED JUNE 30, 2005 AND JUNE 30, 2006

#### APPENDIX B

#### SCHEDULE OF STUDENT FEES

The fee schedule that follows was approved by the Regents at the June 2007 meeting for fees to be assessed during the 2007-2008 academic year. The University bases the Estimated Annual Revenue to be collected from each of the fees on budgeting assumptions of the student fees approved for the current academic year and the number of full-time and part-time students for the previous academic year. The number of students obtained by dividing the Estimated Annual Revenue line items for full-time students is less than the full-time equivalents and fall semester full time enrollees for Fall 2007 shown in the body of the Official Statement under "THE UNIVERSITY – Five-Year Historical Enrollment Summary." This is consistent with historic budgeting assumptions, including consideration of the University's policy to provide fee waivers or discounts to certain scholarship recipients and to certain employees and spouses of certain employees. The University's estimates include certain assumptions concerning refunds, late fees and other variabilities in individual fees, such that the annual estimated revenues of each fee are not the numerical product of the fee rates times a constant number for students paying such fees, but nonetheless represent the University's best estimate of fee revenues.

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# **Tuition and Student Fees Academic Year 2007-2008**

	Full Time		Part Time	
	Amount Per Semester	Estimated Annual Revenue	Amount Per Cr. Hour	Estimated Annual Revenue
Facility Fees				
Bond Issues:				
Bond Series 1996	\$ 55.00	\$ 957,000	\$ 2.00	\$ 59,040
Bond Series 1997 A&B	5.00	87,000	0.15	4,428
Series 2005A	75.00	1,305,000	7.50	221,400
Deferred Maintenance	40.00	696,000	-	0
Revenue Bond Series 2003	48.25	839,550	0.85	25,092
SRC Series 1999	82.00	1,426,800	8.20	242,064
Sweet Ave/Campus Improvement Series 1999B Subtotal Facility Fees	\$310.25	<u>87,000</u> \$5,398,350	\$18.70	\$552,024
Subtotal Facility Fees	\$310.23	\$5,398,330	\$18.70	\$552,024
General Education Operating Budget				
Matriculation Fee (Full-time only)	\$1,356.70	\$23,606,580	_	0
Education Fee (Part-time only)	-	0	\$155.35	\$4,585,932
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Student Computing and Network Access	\$60.90	\$1,059,660	\$6.00	\$ 177,120
Dedicated Activity Fees				
Alumni Association	\$1.00	\$17,400		
Associated Students - Incl Diversity Ctr	87.28	1,518,672	\$2.60	\$76,752
Campus Card	7.90	137,460	1.50	44,280
Campus Recreation - Intramurals/Sports Clubs	19.25	334,950	3.20	94,464
Campus Recreation - SRC Operations / R & R	40.75	709,050	2.90	85,608
Commons/Union Operations / R & R	87.35	1,519,890	4.00	118,080
Fine Arts	3.00	52,200	-	0
HPERD - Locker Services	1.25	21,750	1.25	36,900
Intercollegiate Athletics	113.70	1,978,380	3.00	88,560
Kibbie - Mem Gym Cage/Swim Ctr	5.25	91,350	1.05	30,996
Kibbie Center Operations	22.53	392,022	5.00	147,600
Marching Band	6.25	108,750	1.25	36,900
Sales Tax	1.61	28,014	-	0
Spirit Squad	2.45	42,630	-	0
Student Research Grants	6.00	104,400	-	0
Student Health	39.80	692,520	6.20	183,024
Student Services	23.78	413,772	-	0
Sustainability Center	5.00	87,000	-	0
Transit Service	3.00	52,200		0
SubtotalActivity/DedicatedFees	\$477.15	\$8,302,410	\$31.95	\$943,164
TOTAL	\$2,205.00	\$38,367,000	\$212.00	\$6,258,240
Other Fees / Tuition				
Graduate / Professional Fee	\$270.00	\$594,000	\$27.00	\$76,140
Law College Dedicated Fee	\$2,625.00	\$1,614,375	\$263.00	\$3,945
Architecture Program Dedicated Fee	\$406.00	\$454,720	\$40.00	\$5,600
Nonresident Tuition	\$5,040.00	\$6,350,400	\$148.00	\$2,440
In-Service Fee – Undergraduate		0	\$72.00	\$28,440
In-Service Fee – Graduate	_	0	\$86.00	\$319,490
Western Undergraduate Education Fee	\$1,102.00	\$2,688,880		0
SubtotalOtherFees/Tuition		\$11,702,375		\$436,055
<u>Total</u>		\$50,069,375		\$6,694,295
		400,000,000		40,00 1,200

Note: Part-time non-resident tuition charges do not apply to summer session.

#### APPENDIX C

# GLOSSARY OF CERTAIN TERMS USED IN THE RESOLUTION AND OFFICIAL STATEMENT

Except as otherwise expressly provided in the Resolution, as supplemented by Supplemental Resolutions, including the Series 2007 Supplemental Resolution, or this Official Statement or unless the context otherwise requires, the following terms shall have the following meanings:

Accountant's Certificate shall mean a certificate signed by an independent certified public accountant of recognized standing or a firm of independent public accountants of recognized standing, selected by the University and acceptable to the Trustee (which acceptance shall not be unreasonably withheld), who may be the accountant or firm of accountants who regularly audit the books of the University, provided that, if the Trustee shall fail to so accept, it shall deliver to the University a statement of its reasons for such nonacceptance.

Act shall mean the Educational Institutions Act of 1935, codified in Title 33, Chapter 38, Idaho Code, as the same shall be amended from time to time.

Activity Center Bonds mean the bonds issued by the Regents under the Activity Center Resolution (Outstanding as of the date of this Official Statement) described as follows: (a) \$9,285,000 Student Fee Refunding Revenue Bonds, Series 1996 dated March 15, 1996 and (b) \$5,620,000 Student Fee Revenue Bonds (University Commons Supplemental Project), Series 1997 dated December 1, 1997.

Activity Center Complex Fee means the activity center complex fee imposed upon full and part time students attending the University.

Activity Center Resolution means the bond resolution adopted by the Regents on March 15, 1996, providing for the issuance of the Activity Center Bonds, and as from time to time supplemented by supplemental resolutions.

Activity Fees shall include such fees designated and set from time to time by the Regents or the University, imposed upon each full-time and part-time on-campus student in attendance at the University for a activities at the University. Currently such fees include: ASUI general, alumni association fee, campus card, cheerleader program, college dedicated fee, Commons/Union operations, fine arts, intercollegiate athletics, intramural/locker/recreational services, Kibbie Center operations (stadium), marching band, minority student program, sales tax, student advisory services, student recreation center operations, student benefits, health and wellness, and student health services.

Additional Bonds shall mean any bonds which the Regents may issue pursuant to Article VII of the Resolution secured by all or a portion of the Pledged Revenues, as may be amended from time to time.

<u>Alternate Liquidity Facility</u> means a liquidity facility, provided by the Regents with respect to one or both Series of the Series 2007 Bonds pursuant to the Resolution.

Amendments means, collectively, the 2005 Amendments and the 2007 Amendments.

<u>Approving Opinion</u> means an Opinion of Counsel to the effect that an action being taken is authorized by the applicable provisions of the Resolution and will not adversely affect the tax-exempt status of interest on the Series 2007 Bonds.

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<u>Authorized Denomination</u> means, with respect to the Series 2007 Bonds, (i) during any Weekly Rate Period or Term Interest Rate Period of less than one year, \$100,000 or any multiple of \$5,000 in excess thereof; and (ii) during any Term Interest Rate Period of one year or more, \$5,000 or any integral multiple thereof.

<u>Authorized Officer</u> of the University shall mean the Bursar or a representative designated by the Bursar.

<u>Auxiliary Enterprises</u> shall mean all facilities of the University generating Sales and Services Revenues, including the Housing System, Parking System, Non-Residential Food Service System, Bookstore, and recreational and event facilities.

<u>Beneficial Owner(s)</u> shall mean the owners of Bonds and any Additional Bonds issued pursuant to the Resolution, whose ownership is recorded under the Book-Entry-Only System maintained by the Securities Depository as described in the Resolution.

<u>Bond Fund</u> shall mean the fund created by the Resolution, consisting of two accounts: (1) Debt Service Account and (2) Debt Service Reserve Account.

<u>Bond Purchase Agreement</u> means the Bond Purchase Agreement dated October \_\_\_\_, 2007, between the Regents and the Underwriter pursuant to which the Series 2007 Bonds are sold.

<u>Bond Register</u> shall mean the registration records of the [University], maintained by the Trustee, on which shall appear the names and addresses of the Registered Owners of the Bonds and any Additional Bonds.

<u>Bond Resolution</u> or <u>Resolution</u> shall mean the Bond Resolution adopted by the Regents on November 22, 1991, providing for the issuance of General Revenue Bonds, as from time to time amended and supplemented by Supplemental Resolutions.

<u>Bond Year</u> means the one-year period (or, in the case of the first Bond Year, the shorter period from the date of issue of the Bonds) selected by the University. If no date is selected by the University within five years of the date of delivery of a series of Bonds, each Bond Year shall end at the close of business on the date preceding the anniversary of the date of delivery of a series of Bonds.

<u>Bonds</u> shall mean, collectively, the Bonds issued pursuant to the Resolution and Additional Bonds issued pursuant to any Supplemental Resolutions.

<u>Book-Entry System</u> shall mean the book-entry system of registration of the Bonds and any Additional Bonds as described in the Resolution.

<u>Bookstore</u> means the University's bookstore facilities located on the Moscow campus, in which books, supplies and merchandise are sold.

<u>Bursar</u> means the officer so designated by the University as chief financial officer of the University, currently the Vice President for Finance and Administration of the University, including any acting Bursar designated by the University.

<u>Business Day</u> shall mean a day, other than Saturday or Sunday, on which banks located in the state of Idaho, or in the city where the principal corporate trust office of the Trustee is located, are open for the purpose of conducting commercial banking business.

<u>Calendar Week</u> means the period of seven (7) days from and including Thursday of any week to and including Wednesday of the next following week; provided, however, that the initial Calendar Week with respect to each Weekly Interest Rate Period shall commence on the first day of such Weekly Interest Rate Period and shall end on the next succeeding Wednesday; and provided further that the final Calendar Week with respect to each Weekly Interest Rate Period shall commence on the Thursday immediately preceding the last day of such Weekly Interest Rate Period and shall end on the last day of such Weekly Interest Rate Period.

Cede & Co., shall mean Cede & Co., as nominee of DTC.

<u>Code</u> shall mean the Internal Revenue Code of 1986, as amended and supplemented from time to time, and the regulations promulgated thereunder.

<u>Construction Fund</u> shall mean the special account created by the Resolution, from which the Costs of Acquisition and Construction of a Project shall be paid.

<u>Consultant's Report</u> shall mean a report signed by an independent financial consultant or other independent consultant, selected by the University and approved by the Trustee (which approval shall not unreasonably be withheld), as may be appropriate to the subject of the report, and including:

- (1) a statement that the person or firm making or giving such report has read the pertinent provisions of the Resolution to which such report relates;
- (2) a brief statement as to the nature and scope of the examination or investigation upon which the report is based;
- (3) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said independent financial consultant or other independent consultant to express an informed opinion with respect to the subject matter referred to in the report.

<u>Continuing Disclosure Agreement</u> means the Continuing Disclosure Agreement between the Regents and the Trustee as Dissemination Agent with respect to the Series 2007 Bonds.

<u>Conversion</u> or <u>Convert</u> means the adjustment of the rate borne by one or both series of the Series 2007 Bonds from a Weekly Interest Rate to a Term Interest Rate, from a Term Interest Rate to a Weekly Interest Rate or from a Term Interest Rate for one Term Interest Rate Period to a Term Interest Rate for another Term Interest Rate Period.

<u>Conversion Date</u> means the date on which the Interest Rate Period for one or both series of the Series 2007 Bonds is changed, or the date of a change of the Interest Rate Period for one or both series of the Series 2007 Bonds specified in a notice given pursuant to the Resolution.

Cost of Acquisition and Construction, with respect to a Project, shall include together with any other proper item of cost not specifically mentioned therein, the cost of demolition, the cost of acquisition and construction of the Project and the financing thereof, the cost, whether incurred by the University or another, of field surveys and advance planning undertaken in connection with the Project, and the cost of acquisition of any land or interest therein required as the sites thereof or for use in connection therewith, the cost of any indemnity and surety bonds and insurance premiums, allocable administrative and general expenses of the University, allocable portions of inspection expenses, financing changes, legal fees, and fees and

expenses of financial advisors and consultants in connection therewith, cost of audits, the cost of all machinery, apparatus and equipment, cost of engineering, the cost of utilities, architectural services, design, plans, specifications and surveys, estimates of cost, the payment of any notes of the University (including any interest and redemption premiums) issued to temporarily finance the payment of any item or items of cost of the Project and payable from the proceeds of the Bonds or any Additional Bonds, and all other expenses necessary or incident to determining the feasibility or practicability of the Project, and such other expenses not specified herein as may be necessary or incident to the construction and acquisition of the Project, the financing thereof and the placing of the same in use and operation.

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

<u>Continuing Disclosure Agreement</u> shall mean the agreement by that name with respect to the Series 2007 Bonds dated October , 2007 between the Regents and the Trustee.

Debt Service for any period shall mean, as of any date of calculation, an amount equal to the Principal Installment and interest accruing during such period on the Bonds, plus any Payment due under a Parity Payment Agreement. Such Debt Service on the Bonds shall be calculated on the assumption that no portion of the Bonds Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of the Principal Installment on the Bonds on the due date thereof. For any Series of Variable Rate Bonds bearing interest at a variable rate which cannot be ascertained for any particular Fiscal Year, it shall be assumed that such Series of Variable Rate Bonds will bear interest at a fixed rate equal to the higher of (i) the average of the variable rates applicable to such Series of Variable Rate Bonds during any twenty-four month period ending within thirty (30) days prior to the date of computation, or (ii) 110% of the Bond Buyer 25 Revenue Bond Index most recently published prior to the computation date but bearing interest at a fixed rate. There shall be excluded from "Debt Service" (i) interest on Bonds (whether Cross-over Refunding Bonds or Cross-over Refunded Bonds) to the extent that Escrowed Interest is available to pay such interest, and (ii) principal on Cross-over Refunded Bonds to the extent that the proceeds of Cross-over Refunding Bonds are on deposit in an irrevocable escrow in satisfaction of the requirements of Section 57-504, Idaho Code, and such proceeds or the earnings thereon are required to be applied to pay such principal (subject to the possible use to pay the principal of the Cross-over Refunding Bonds under certain circumstances) and such amounts so required to be applied are sufficient to pay such principal.

[If, prior to the issuance of the Series 2007 Bonds, consents to the 2005 Amendments are not obtained from insurance companies insuring Pre-2005 Bonds, as described in the Official Statement, the old definition of Debt Service will stay in effect, which defines Debt Service as follows:

<u>Debt Service</u> for any period shall mean, as of any date of calculation, an amount equal to the Principal Installment and interest accruing during such period on the Bonds. Such Debt Service on the Bonds shall be calculated on the assumption that no portion of the Bonds Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of the Principal Installment on the Bonds on the due date thereof.]

<u>Debt Service Account</u> shall mean the account of that name created within the Bond Fund by the Resolution.

<u>Debt Service Reserve Account</u> shall mean the account of that name created within the Bond Fund by the Resolution.

<u>DTC</u> means The Depository Trust Company, New York, New York.

<u>Direct Obligations</u> means noncallable Government Obligations.

<u>DTC Participants</u> shall mean those financial institutions for whom the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository, as such listing of Participants exists at the time of such reference.

<u>Educational Activities Revenues</u> shall mean revenues generated incidentally to the conduct of instruction, research and public service activities, such as unrestricted revenues generated by the University's testing and training services, labs, sales of scientific materials, sales of miscellaneous services and products, and agriculture and forest products.

Escrow Account means the account established under the Escrow Agreement.

<u>Escrow Agent</u> shall mean Wells Fargo Bank, N.A., Boise, Idaho, or its successor in function, which shall supervise the Escrow Account and the Investment Securities, as defined in the Escrow Agreement with respect to the Refunded Bonds.

<u>Escrow Agreement</u> means the agreement between the Regents and Trustee, as Escrow Agent, dated the date of delivery of the Series 2007 Bonds, providing for the refunding and redemption of the Refunded Bonds.

Estimated Pledged Revenues means, for any year, the estimated Pledged Revenues for such year, based upon estimates prepared by the Bursar and approved in accordance with procedures established by the Regents. In computing Estimated Pledged Revenues, Pledged Revenues may be adjusted as necessary to reflect any changed schedule of fees or other charges adopted and to become effective not later than the next succeeding Fiscal Year of the University and any estimated gain in enrollments of students subject to payment of fees in the academic year next succeeding the delivery of a series of bonds in connection with which an estimate is made. In estimating Operation and Maintenance Expenses, recognition shall be given to any other revenues which may be designated by the Regents and to any anticipated change in the Operation and Maintenance Expenses. Amounts reasonably anticipated to be paid from sources other than Pledged Revenues may be excluded from the estimated Operation and Maintenance Expenses.

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

<u>F&A Recovery Revenues</u> shall mean the revenues received by the University from the United States as reimbursement for facility and administrative costs in conjunction with grants received from the United States and agencies and instrumentalities thereof.

<u>Facility Fees</u> shall mean such fees designated and set from time to time by the Regents or the University, imposed upon each full-time and part-time on-campus student in attendance at the University for facilities at the University. Currently such fees consist of the Student Building Fee, the Residential Campus Development Fee, the Recreation Center Fee, and the Activity Center Complex Fee.

<u>Fiscal Year</u> shall mean the annual accounting period of the University, beginning July 1 in a year and ending June 30 of the following year.

<u>Fitch</u> means Fitch Ratings, its successors and their assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be

deemed to refer to any other nationally recognized securities rating agency designated by the Regents, with notice to the Liquidity Facility Provider, the Trustee and the Remarketing Agent

General Account Appropriated Funds shall mean general account appropriated funds of the State of Idaho which in accordance with governmental accounting standards and the University's audited financial statements are treated as non-operating revenues and accordingly such revenues are not included in the definition of Other Operating Revenues for purposes of generating Pledged Revenues under the Resolution, and in any event are excluded from Pledged Revenues.

<u>General Revenue Bond System</u> means the single revenue bond system created under the Resolution under which the Series 2005A Bonds shall be issued and Additional Bonds may be issued.

Generally Accepted Accounting Principles shall mean those accounting principles applicable in the preparation of financial statements of business corporations as promulgated by the Financial Accounting Standards Board or such other body recognized as authoritative by the American Institute of Certified Public Accountants.

Government Obligations means solely one or more of the following:

- (a) State and Local Government Series issued by the United States Treasury ("SLGS");
  - (b) United States Treasury bills, notes and bonds, as traded on the open market;
  - (c) Zero Coupon United States Treasury Bonds; and
- (d) Any other direct obligations of or obligations unconditionally guaranteed by, the United States of America (including, without limitation, obligations commonly referred to as "REFCORP strips").

<u>Housing System</u> shall mean the University's system of (i) on campus, student group housing facilities and related and facilities, including family student housing; and (ii) the Residence Hall System.

<u>Information Reporting Agreement</u> means the Information Reporting Agreement entered into between the University and the Trustee, dated February 5, 1997.

<u>Information Services</u> means Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services "Called Bond Service," 65 Broadway, 16th Floor, New York, New York 10006; Moody's "Municipal and Government," 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports; and S&P's "Called Bond Record," 55 Water Street, 45th Floor, New York, New York 10041; or to such other addresses and/or such other services providing information with respect to called bonds as the Regents may designate in writing to the Trustee.

<u>Initial Liquidity Facility</u> means, collectively, the Initial Series 2007A Liquidity Facility and the Initial Series 2007B Liquidity Facility.

<u>Initial Liquidity Facility Provider</u> means, with respect to the Series 2007 Bonds, Dexia Credit Local, acting through its New York Branch.

<u>Initial Series 2007A Liquidity Facility</u> means the standby bond purchase agreement among the Regents, the Trustee and the Initial Liquidity Facility Provider with respect to the Series 2007A Bonds.

<u>Initial Series 2007B Liquidity Facility</u> means the standby bond purchase agreement among the Regents, the Trustee and the Initial Liquidity Facility Provider with respect to the Series 2007B Bonds.

<u>Interest Rate Period</u> means either a Weekly Interest Rate Period or a Term Interest Rate Period.

<u>Investment Income</u> shall include investment earnings on all unrestricted University funds and accounts.

<u>Investment Securities</u> shall mean and include any securities authorized to be acquired by the Treasurer of the State of Idaho pursuant to Section 67-1210 and 67-1210A, Idaho Code, or any successor Code section specifying legal investments.

[If, prior to the issuance of the Series 2007 Bonds, consents to the 2005 Amendments are not obtained from insurance companies insuring Pre-2005 Bonds, as described in the Official Statement, the old definition of Investment Securities will stay in effect, which defines Investment Securities as follows:

<u>Investment Securities</u> shall mean and include any of the following securities:

- A. Direct obligations of or obligations guaranteed by the United States of America, including obligations of any of the Federal agencies set forth in Clause B below to the extent unconditionally guaranteed by the United States of America, and including certificates evidencing ownership of serially maturing interest payments and principal payments on United States Treasury Notes or Bonds;
- B. Bonds, debentures, participation certificates, notes or other evidence of indebtedness issued by any of the following agencies: Bank for Cooperatives, Federal Intermediate Credit Bank; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks, United States Postal Service; Government National Mortgage Association; Farmers Home Administration; Federal Home Loan Mortgage Association; Federal Financing Bank; or any agency or instrumentality of the United States of America which shall be established for the purposes of acquiring the obligations of any of the foregoing or otherwise providing financing therefor;
  - C. Money market funds which are rated AAAm or AAAm-G by S&P;
- D. Certificates of deposit or time deposits constituting direct obligations of any financial institution (including the Trustee) which is insured by the Bond Insurance Fund or the Savings Association Insurance Fund administered by the Federal Deposit Insurance Corporation and which do not exceed the maximum of such insurance unless such excess is fully collateralized by securities or obligations in which investments may be made directly, and which financial institution has a combined capital and surplus in excess of \$10,000,000 or which financial institution's negotiable or non-negotiable certificates of deposit, time deposits or other similar banking arrangements are rated in either of the two highest rating categories by S&P;
- E. Repurchase agreements with (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A" by S&P and Moody's; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A" by S&P and Moody's,

which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated "A" or better by S&P and Moody's provided that:

- 1. The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach);
- 2. The Trustee or a third party acting solely as agent therefor or for the Issuer (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);
- 3. The repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);
  - 4. All other requirements of S&P in respect of repurchase agreements shall be met.
- 5. The repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the University or the Trustee (who shall give such direction if so directed by the insurers of all outstanding Bonds), within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the University or Trustee.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (a) above, so long as such collateral levels are 103% or better and the provider is rated at least "A" by S&P and Moody's, respectively.

- F. Commercial paper that is rated at the time of purchase A-1+ by S&P and P-1 by Moody's, and that matures no more than 365 days after the date of purchase;
- G. Investments in a taxable or tax-exempt money market fund (i) of the Trustee or (ii) registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of "AAAm" or "AAAm\_G";
- H. Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA" by S&P and "Aa" by Moody's; provided that, by the terms of the investment agreement:
  - 1. Interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Bonds;
  - 2. The invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the Issuer and the Trustee hereby agree to

give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

- 3. The investment agreement shall state that it is the unconditional and general obligation of, and is not subordinate to any other obligation of, the provider thereof;
- 4. The University or the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the University, and insurers of all outstanding Bonds) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the insurers of all outstanding Bonds;

# 5. The investment agreement shall provide that if during its term

- (a) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3," respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Issuer, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest on the investment, and
- (b) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3," respectively, the provider must, at the direction of the Issuer or the Trustee within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Issuer or Trustee; and
- 6. The investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession); and

# 7. The investment agreement must provide that if during its term

- (a) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Issuer or the Trustee be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Issuer or Trustee, as appropriate, an
- (b) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Issuer or Trustee, as appropriate.

- I. Refunded municipal obligations defined as follows: any bonds or other obligations of any State of the United States of America or of any agency, instrumentality or local governmental unit of any such state that are not callable at the option of the obligor prior to maturity or as to which irrevocable notice has been given by the obligor to call on the date specified in the notice; and (A) that are rated, based on the escrow, in the highest rating category of S&P and Moody's or any successors thereto; or (B)(i) that are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or obligations described in clause (1) above, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which fund is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (I) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate;
- J. Certificates evidencing ownership of serially maturing interest payments and principal payments on United States Treasury Notes or Bonds including (i) U.S. Treasury STRIPS, (ii) REFCORP STRIPS, (iii) Financing Corp. (FICO) STRIPS, and (iv) any stripped securities rated AAA by S&P; and
- K. Direct and general obligations of any State within the territorial United States of America, to the payment of the principal of and interest on which the full faith and credit of such State is pledged, provided that at the time of their purchase, such obligations are rated in either of the two highest rating categories by a nationally recognized bond rating agency.]

<u>Liquidity Facility</u> means, as of any time, the Initial Series 2007A Liquidity Facility and the Initial Series 2007B Liquidity Facility or any Alternate Liquidity Facility, as applicable, then securing the Series 2007A Bonds or the Series 2007B Bonds.

<u>Liquidity Facility Provider</u> means, with respect to a Liquidity Facility, the bank or other financial institution acting as the provider under the Liquidity Facility, including the Initial Liquidity Facility Provider.

<u>Liquidity Facility Provider Bond</u> means any Series 2007 Bond acquired with moneys in the respective Liquidity Facility Purchase Account pursuant to the Resolution.

<u>Liquidity Facility Purchase Account</u> means the Series 2007A Liquidity Facility Purchase Account and the Series 2007B Liquidity Facility Purchase Account.

Mandatory Redemption Amount(s) shall mean the mandatory deposits (i) established for the Series 1992A Bonds pursuant to the Resolution, or (ii) as to any Additional Bonds the amounts so designated in a Supplemental Resolution. The portion of any Mandatory Redemption Amount remaining after the deduction of any amounts credited pursuant to the Resolution (or the original amount of any such Mandatory Redemption Amount if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Mandatory Redemption Amount for the purpose of calculation of Mandatory Redemption Amounts due on a future date.

<u>Mandatory Tender Bonds</u> means Series 2007 Bonds which are subject to mandatory tender pursuant to the 2007 Supplemental Resolution.

<u>Matriculation Fee(s)</u> shall mean the student matriculation fee established by the Regents for maintenance and operation of physical plant, student services, and institutional support for full-time

students enrolled in academic credit courses and vocational pre-employment, preparatory programs at the University, as said fee now exists and may hereafter be revised by the Regents. The Matriculation Fee shall include general education fees for part-time and summer students which are currently designated by the Regents as the "Part-time Educational Fee" and "Summer School Fee."

<u>Maximum Annual Debt Service</u> shall mean an amount equal to the greatest annual Debt Service with respect to the Bonds for the current or any future Bond Year.

Maximum Interest Rate means, with respect to the Series 2007 Bonds, [10%] per annum.

Moody's means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency (other than S&P or Fitch) designated by the Regents, with notice to the Liquidity Facility Provider, the Trustee and the Remarketing Agent.

<u>Net Proceeds</u>, when used with reference to any series of Bonds, shall mean the aggregate principal amount of the series of Bonds, less the Costs of Issuance.

<u>Net Revenues</u> with respect to the Housing System or any Project, shall mean all revenues, fees, tolls, charges, income, receipts and profits derived by the University from or attributable to a Project including, without limitation, all revenues derived from or attributable to any lease or other contractual arrangement with respect to the use of the Housing System or any Project or the services, output or capacity thereof, or from the sale of any property of the Housing System or any Project permitted under the Resolution, and the proceeds of any insurance covering business interruption loss relating to the Housing System or any Project, all as determined in accordance with Generally Accepted Accounting Principles, less Operation and Maintenance Expenses.

Nominee means Cede & Co., as nominee of DTC, the initial Securities Depository for the Series 2007 Bonds, and any successor nominee of DTC and, if another Securities Depository replaces DTC as Securities Depository under the Resolution, any nominee of such substitute Securities Depository.

Non-Residential Food Service System means the University's system of providing food services for the University's students, faculty, staff, employees and invited guests at all University facilities on the Moscow campus, excluding board charges for food service in the University's Residence Hall System.

Notice by Mail or notice of any action or condition "by Mail" shall mean a written notice meeting the requirements of the 2007 Supplemental Resolution mailed by first class mail, postage prepaid.

Opinion of Counsel means a written opinion of counsel satisfactory to the Regents and not objected to by the Trustee or the Liquidity Facility Provider with respect to the Series 2007 Bonds.

Other Fees/Tuition shall consist of the graduate/professional fee, law college dedicated fee, architecture school dedicated fee, non-resident tuition, in service teacher education fee, and the western undergraduate education fee, and such other fees as the University shall hereafter establish.

Other Operating Revenues shall mean revenues received by the University generated from miscellaneous sources, *i.e.*, fines and rent/lease revenues.

<u>Outstanding</u>, when used with reference to the Bonds, as of any particular date, shall mean the Bonds which have been issued, sold and delivered under the Resolution, except (i) the Bonds (or portion thereof) cancelled because of payment or redemption prior to their stated date of maturity, and (ii) the Bonds (or portion thereof) for the payment or redemption of which there has been separately set aside and held money for the payment thereof.

<u>Parking Fees</u> shall mean the fees for use of the Parking System charged to students, faculty, and employees of the University, as established by the Regents and as the same may from time to time be amended in accordance with procedures established by the Regents.

<u>Parking System</u> shall mean the on-campus parking system at the University campus in Moscow, Idaho.

Payment Date means, unless otherwise provided by a Supplemental Resolution, (a) with respect to the Series 2007 Bonds during the Initial Term Interest Rate Period, and any other Term Interest Rate Period, each April 1 and October 1, commencing April 1, 2008, (b) with respect to the Series 2007 Bonds during a Weekly Interest Rate Period the first Wednesday of the first month following the beginning of a Weekly Interest Rate Period, and (c) with respect to Liquidity Facility Provider Bonds the dates set for payment of interest thereof under the applicable Liquidity Facility.

# <u>Pledged Revenues</u> shall include:

- A. So long as any Recreation Center Bonds and Activity Center Bonds are outstanding, Pledged Revenues shall include: (i) all Student Fees, except that the pledge of the Recreation Center Fees and Activity Center Complex Fees shall be junior and subordinate to the pledge of such fees under the Center Resolution and Activity Center Resolution, respectively; (ii) all Sales and Services Revenues, except that the pledge of certain of these revenues shall be junior and subordinate to the pledge of such revenues under the Activity Center Resolution; (iii) the F&A Recovery Revenues; (iv) Other Operating Revenues; (v) Investment Income under the Resolution, except that the pledge of a portion of Investment Income shall be junior and subordinate to the pledge of such income under the Recreation Center Resolution and Activity Center Resolution; (vi) [reserved]; and (vii) such other revenues as the Regents shall designate as Pledged Revenues.
- B. When the Activity Center Bonds are no longer outstanding, Pledged Revenues shall include: (i) Student Fees, except that the pledge of the Recreation Center Fees shall be junior and subordinate to the pledge of such fees under the Recreation Center Resolution; (ii) Sales and Services Revenues; (iii) the F&A Recovery Revenues; (iv) Other Operating Revenues; (v) Investment Income, except that the pledge of a portion of Investment Income shall be junior and subordinate to the pledge of such income under the Recreation Center Resolution; (vi) [reserved]; and (vii) such other revenues as the Regents shall designate as Pledged Revenues.
- C. When the Recreation Center Bonds are no longer outstanding, Pledged Revenues shall include: (i) Student Fees, except that the pledge of the Activity Center Complex Fees shall be junior and subordinate to the pledge of such fees under the Activity Center Resolution; (ii) Sales and Services Revenues; (iii) the F&A Recovery Revenues; (iv) Other Operating Revenues; (v) Investment Income, except that the pledge of a portion of Investment Income shall be junior and subordinate to the pledge of such income under the Activity Center Resolution; (vi) [reserved]; and (vii) such other revenues as the Regents shall designate as Pledged Revenues.
- D. When neither the Recreation Center Bonds nor the Activity Center Bonds shall be outstanding, Pledged Revenues shall include: (i) Student Fees; (ii) Sales and Services Revenues; (iii) the

F&A Recovery Revenues; (iv) Other Operating Revenues; (v) Investment Income; (vi) [reserved]; and (vii) such other revenues as the Regents shall designate as Pledged Revenues.

Notwithstanding the definitions set forth above and, in particular, notwithstanding clause (vii) of paragraphs A, B, C and D above, in no event shall Pledged Revenues include (i) General Account Appropriated Funds or (ii) Restricted Fund Revenues.

President shall mean the president of the Regents.

<u>Pre-2005 Bonds</u> shall mean all bonds issued under the Resolution and Supplemental Resolutions thereto prior to the issuance of the Series 2005A Bonds.

<u>Principal Installment</u> shall mean, as of any date of calculation and with respect to any series of Bonds then Outstanding, (A) the principal amount of Bonds of such series due on a certain future date for which no Mandatory Redemption Amounts have been established, or (B) the unsatisfied balance (determined as provided in the definition of Mandatory Redemption Amount in this section) of any Mandatory Redemption Amount due on a certain future date for Bonds of such series, plus the amount of the mandatory redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a principal amount equal to such unsatisfied balance of such Mandatory Redemption Amount, or (C) if such future dates coincide as to different Bonds of such series, the sum of such principal amount of Bonds and of such unsatisfied balance of such Mandatory Redemption Amount due on such future date plus such applicable redemption premiums.

<u>Principal Office</u> (i) of the Trustee means the principal corporate trust office of the Trustee designated in writing to the University, the Remarketing Agent and the Liquidity Facility Provider, if any, or such other office designated by the Trustee from time to time; (ii) of the Remarketing Agent means its office designated in writing to the Trustee, the University, and the Liquidity Facility Provider; (iii) of the Initial Liquidity Facility Provider means the office of the Initial Liquidity Facility Provider means its office located at such address as such Liquidity Facility Provider shall designate in writing to the Trustee and the University.

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

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

<u>Project</u> shall mean any "project" as defined in the Act that is financed with the proceeds of Bonds or Additional Bonds issued under the Resolution.

<u>Project Account</u> shall mean an account established by the Trustee within the Construction Fund for a Project.

<u>Purchase Date</u> means any date on which any Series 2007 Bond is required to be purchased pursuant to the optional tender and mandatory tender provisions of the Resolution.

<u>Purchase Price</u> means an amount equal to 100% of the principal amount of any Series 2007 Bond (or the portion thereof) tendered or deemed tendered to the Trustee for purchase pursuant to the optional tender and mandatory tender provisions of the Resolution, plus accrued and unpaid interest thereon to but not including the date of purchase.

<u>Rating Agency</u> means Fitch, S&P, Moody's or any other nationally recognized rating agency, in each case then providing or maintaining a rating on the Series 2007 Bonds at the request of the Regents.

Rebate Fund means the fund by that name established by the Resolution.

<u>Record Date</u> shall mean the 15th day of the calendar month next preceding any interest payment date, as provided in the Resolution.

<u>Recreation Center Bonds</u> means the bonds issued by the Regents under the Recreation Center Resolution (and Outstanding as of June 30, 2007) described as follows: \$20,115,000 Student Fee Revenue Bonds (Recreation Center Project), Series 1999, dated February 15, 1999.

<u>Recreation Center Fee</u> means the recreation facility fee imposed upon full and part time students attending the University as assessed by the Regents.

<u>Recreation Center Resolution</u> means the bond resolution adopted by the Regents on January 25, 1999, providing for the issuance of the Recreation Center Bonds.

<u>Refunded Bonds</u> means that portion of the Recreation Center Bonds, Series 1999A Bonds, Series 1999B Bonds, and Series 2001 Bonds as specified in the Terms Certificate.

<u>Refunding Proceeds</u> shall mean the portion of the monies due the University from the Underwriter to purchase the Series 2007A Bonds paid to the Escrow Agent by the Underwriter pursuant to the 2007 Supplemental Resolution for purposes of refunding the Refunded Bonds.

Regents shall mean the Regents of the University of Idaho.

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

Remarketing Agent means George K. Baum & Company, as the initial Remarketing Agent, and any successor thereof appointed pursuant to the 2007 Supplemental Resolution.

Remarketing Agreement means, initially, a Remarketing Agreement dated as of October 1, 2007 between the Regents and George K. Baum & Company, and any other Remarketing Agreement meeting the requirements of the 2007 Supplemental Resolution.

Replacement Bonds shall mean the Bonds described as such in the Resolution, and any Additional Bonds issued as Replacement Bonds in accordance therewith.

<u>Representations Letter</u> means the Blanket Letter of Representations dated June 18, 1999, from the University to DTC.

[Reserve Account Credit Enhancement] shall mean any insurance policy, surety bond, letter of credit or similar instrument which is issued by an insurance company or financial institution, the long term senior unsecured debt of which is rated in one of the two highest rating categories by Moody's Investors Service, Inc., deposited in or credited to the Debt Service Reserve Account, in lieu of or in partial substitution for moneys required to be on deposit therein; provided that the obligation of the University to pay any amounts to any such insurance company or financial institution shall be subordinated indebtedness or indebtedness on a parity with the Bonds; provided that the amount of the obligation which is indebtedness on a parity with the Bonds shall not exceed that proportion which any amount drawn under such Reserve Account Credit Enhancement is to the amount of Bonds secured by the Debt Service Reserve Account remaining outstanding. -- This definition will be deleted if, prior to the issuance of the Series 2007 Bonds, all bond insurers of the Outstanding Pre-2005 Bonds shall have consented to the 2005 Amendments pursuant to the Resolution].

[Reserve Account Requirement] shall mean the lesser of: (i) Maximum Annual Debt Service with respect to Bonds secured by the Debt Service Reserve Account, (ii) 125% of average annual Debt Service on all Bonds Outstanding secured by the Debt Service Reserve Account, or (iii) 10% of the aggregate principal amount of the Bonds and of any Additional Bonds secured by the Debt Service Reserve Account hereafter issued upon original issuance thereof (but not taking into account any series of Bonds which has been paid in full or provision for which payment in full has been made pursuant to Article XII of the Resolution); provided that the Reserve Account Requirement shall not exceed the amount permitted to be capitalized from Net Proceeds under then applicable provisions of federal tax law in order to protect the tax-exempt status of interest on the Bonds. -- This definition will be deleted if, prior to the issuance of the Series 2007 Bonds, all bond insurers of the Outstanding Pre-2005 Bonds shall have consented to the 2005 Amendments pursuant to the Resolution].

Residence Hall System means the University's on-campus residence hall housing facilities, including the Wallace Residence Hall and Cafeteria Complex, the McConnell Residence Hall, the Gault-Upham Residence Hall and the Theophilus Tower Residence Hall, and food service and dining facilities and related and subordinate facilities.

<u>Resolution</u> or <u>Bond Resolution</u> shall mean the Resolution adopted by the Regents on November 22, 1991, as previously amended and supplemented, including the Amendments, and by the 2007 Supplemental Resolution.

<u>Restricted Fund Revenues</u> shall mean all revenues that the University is obligated to spend in accordance with restrictions imposed by external third parties, such as revenues from grants, contracts, gifts and scholarships.

Revenue Fund shall mean the Revenue Fund established by the Resolution.

<u>S&P</u> means Standard & Poor's Ratings Services, its successors and their assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency (other than Fitch or Moody's) designated by the Regents, with notice to the Liquidity Facility Provider, the Trustee and the Remarketing Agent.

<u>Sales and Services Revenues</u> shall include all revenues generated through operations of the Auxiliary Enterprises and the Educational Activities Revenues.

<u>Secretary</u> means the secretary of the Regents.

<u>Securities Depository</u> shall mean DTC, or any successor Securities Depository appointed pursuant to the Resolution.

 $\underline{\text{Series } 2005A \ \text{Bonds}}$  means the \$30,740,000 principal amount of General Revenue Refunding Bonds, Series 2005A.

Series 2007 Bondholder means the holder of any Series 2007 Bond.

<u>Series 2007 Costs of Issuance</u> shall mean the costs and expenses incurred in connection with the issuance, sale and delivery of the Series 2007 Bonds.

<u>Series 2007 Costs of Issuance Account</u> shall mean the account into which shall be deposited the portion of the proceeds of the Series 2007 Bonds necessary to pay the Series 2007 Costs of Issuance.

<u>Series 2007A Bond Purchase Fund</u> means the fund by that name created by the 2007 Supplemental Resolution.

<u>Series 2007A Bonds</u> means \$\_\_\_\_\_ principal amount of General Revenue Refunding Bonds, Series 2007A, dated \_\_\_\_\_, 2007.

<u>Series 2007A Liquidity Facility Purchase Account</u> means the subaccount by that name created within the Series 2007A Bond Purchase Fund by the 2007 Supplemental Resolution.

<u>Series 2007A Remarketing Account</u> means the subaccount by that name created within the Series 2007A Bond Purchase Fund by the 2007 Supplemental Resolution.

<u>Series 2007B Bond Purchase Fund</u> means the fund by that name created by the 2007 Supplemental Resolution.

<u>Series 2007B Bonds</u> means \$\_\_\_\_\_ principal amount of General Revenue Bonds, Series 2007B, dated \_\_\_\_\_, 2007.

<u>Series 2007B Liquidity Facility Purchase Account</u> means the subaccount by that name created within the Series 2007B Bond Purchase Fund by the 2007 Supplemental Resolution.

<u>Series 2007B Project Account</u> means the account established under the 2007 Supplemental Resolution into which shall be deposited the Project Proceeds.

<u>Series 2007B Remarketing Account</u> means the subaccount by that name created within the Series 2007B Bond Purchase Fund by the 2007 Supplemental Resolution.

<u>Student Building Fee</u> means the Student Building Fee designated and set from time to time by the Regents, imposed upon each full-time and part-time on-campus student in attendance at the University.

<u>Student Fees</u> shall consist of the Matriculation Fee, the Activity Fees, the Facility Fees, the Technology Fee, and the Other Fees/Tuition.

<u>Supplemental Resolution</u> means any resolution amending or supplementing the terms of the Resolution in full force and effect which has been duly adopted and approved by the Regents under the

Act; but only if and to the extent that such Supplemental Resolution is adopted in accordance with the provisions of the Resolution.

<u>Technology Fee</u> shall include the Student Computing and Network Access Fee to support the University's technological operations, as assessed against full-time and part-time students at the University and as said fees now exist and may hereafter be revised by the Regents or the University.

<u>Term Interest Rate</u> means a non-variable interest rate or rates for one or both series of the Series 2007 Bonds established for a Term Interest Rate Period in accordance with the Resolution.

Term Interest Rate Period means each period determined by the [University] pursuant to the Resolution during which one or both series of the Series 2007 Bonds bear interest at a Term Interest Rate; provided that each such period shall be for a term of approximately one month, approximately three months, approximately six months, approximately nine months, approximately one year or any multiple of approximately six months above one year in each case ending on a day preceding a Business Day; provided, however, that notwithstanding the foregoing any Term Interest Rate Period which ends on the day immediately preceding the maturity date of such Series 2007 Bonds may include a period of time from the Payment Date immediately preceding the maturity date of such Series 2007 Bonds even if the time remaining to such day is not one of the periods specified above; and provided, further, that notwithstanding the foregoing any Term Interest Rate Period may end on the day immediately preceding the maturity date of such Series 2007 Bonds whether or not such maturity date is a Business Day.

<u>Terms Certificate</u> means a certificate of the Regents signed by the Bursar or authorized designee in substantially the form attached to the 2007 Supplemental Resolution, specifying certain terms of the Series 2007 Bonds.

<u>Trustee</u> shall mean Wells Fargo Bank, N.A., Boise, Idaho, which shall also act as bond registrar, authenticating agent, paying agent and transfer agent with respect to the Series 2005A Bonds, or its successors in functions, as now or hereafter designated.

<u>2005 Amendments</u> means amendments to the Resolution as described in the 2005A Supplemental Resolution.

<u>2005A Supplemental Resolution</u> means the Supplemental Resolution of the Regents adopted on January 24, 2005, authorizing the Series 2005A Bonds and making the 2005 Amendments.

<u>2007 Amendments</u> means amendments to the Resolution as described in the 2007 Supplemental Resolution.

<u>2007 Insurer</u> means Financial Security Assurance Inc., or any successor thereto or assignee thereof, as issuer of the 2007 Policy.

<u>2007 Policy</u> means the Municipal Bond Insurance Policy issued by the 2007 Insurer insuring the payment when due of the principal of and interest on the Series 2007 Bonds as provided therein.

<u>2007 Supplemental Resolution</u> means the Supplemental Resolution of the Regents adopted on [October 11], 2007, authorizing the Series 2007 Bonds and making the 2007 Amendments.

<u>Underwriter</u> shall mean George K. Baum and Company, or its successor in function, as the original purchaser of the Series 2007 Bonds.

<u>University</u> shall mean the University of Idaho, at Moscow, Idaho, a body politic and corporate pursuant to the provisions of Article 9, Section 10, Idaho Constitution and Section 33-2801, Idaho Code.

<u>Variable Index</u> means an index selected by the Remarketing Agent which is a composite of bidside yields of obligations (a) which (i) provide for a weekly adjustment of the interest rate, and (ii) which (A) must be purchased on demand of the owner thereof at any time upon notice of up to seven (7) days or (B) are payable in full not later than seven (7) days after the date of evaluation and (b) the interest on which is tax-exempt from gross income of the holders thereof for federal income tax purposes. If for any reason the Variable Index for any rate determination date cannot be established as provided above or is held to be invalid or unenforceable by a court of law, the Variable Index for such rate determination date shall be an index computed by the Remarketing Agent and shall be equal to 110% of the PSA Municipal Index.

<u>Weekly Interest Rate</u> means an interest rate on one or both series of the Series 2007 Bonds established for a Calendar Week pursuant to the Resolution.

<u>Weekly Interest Rate Period</u> means each period during which the Series 2007 Bonds bear interest at Weekly Interest Rates.

Weekly Put Bonds means the Series 2007 Bonds whose holder may tender them weekly.

Written Certificate of the University shall mean an instrument in writing signed on behalf of the University by a duly authorized officer thereof. Every Written Certificate of the University, and every certificate or opinion of counsel, consultants, accountants or engineers provided for in the Resolution shall include: (A) a statement that the person making such certificate, request, statement or opinion has read the pertinent provisions of the Resolution to which such certificate, request, statement or opinion relates; (B) a brief statement as to the nature and scope of the examination or investigation upon which the certificate, request, statement or opinion is based; (C) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; and (D) with respect to any statement relating to compliance with any provision hereof, a statement whether or not, in the opinion of such person, such provision has been complied with.

#### APPENDIX D

#### SUMMARY OF THE RESOLUTION

The following is a summary of certain provisions of the Resolution as supplemented by Supplemental Resolutions, including the Supplemental Resolution adopted [October 21], 2007 (the "2007 Supplemental Resolution"), and is not to be considered a full statement thereof. Reference is made to the Resolution and the 2007 Supplemental Resolution. The Resolution and all Supplemental Resolutions are on file at the University, c/o Lloyd Mues, Bursar, Administration Building, Room 211, P.O Box 443168, Moscow, Idaho 83844-3168; or at the office of the Trustee, Wells Fargo Bank, N.A., 877 Main Street, Third Floor, Boise, Idaho 83702. See also "THE SERIES 2007 BONDS" and "SECURITY FOR THE SERIES 2007 BONDS" in the body of the Official Statement.

As described in the body of the Official Statement under the caption "SECURITY FOR THE SERIES 2007 BONDS – Covenants" and "– Consent to Amendments," in conjunction with the formation of the General Revenue Bond System, the Regents amended the Resolution in certain respects (the "2005 Amendments"). The 2005 Amendments that did not require the consent of the Owners of the Bonds, including the addition of certain University revenues to the Pledged Revenues, took effect immediately with adoption of the 2005A Supplemental Resolution. The 2005 Amendments that required consent of the Owners of the Bonds were to take effect upon the sooner of (i) the date all of the Bonds issued prior to the Series 2005A Bonds ceased to be Outstanding; or (ii) the date upon which 60% of the Owners of the Bonds shall have consented to the 2005 Amendments pursuant to the Resolution and the insurance companies insuring all Outstanding Pre-2005 Bonds shall have consented to the 2005 Amendments as required by the Resolution. The following discussion assumes that the 2005 Amendments will become effective upon issuance of the Series 2007 Bonds.

# GENERAL PROVISIONS RELATING TO THE BONDS

#### Authorization of Bonds

Bonds designated as "General Revenue Bonds" are authorized to be issued by the Regents under the Resolution. The maximum principal amount of the Bonds which may be issued is not limited; provided, however, that the Regents reserve the right to limit or restrict the aggregate principal amount of the Bonds which may at any time be issued or Outstanding under the Resolution. Bonds may be issued in such Series as from time to time shall be established and authorized by the Regents subject to the provisions of the Resolution. The Bonds may be issued in one or more Series pursuant to one or more Supplemental Resolutions. The designation of the Bonds shall include, in addition to the name "General Revenue Bonds," such further appropriate particular designation added to or incorporated in such title for the Bonds of any particular Series as the Regents may determine. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs. Each Bond shall recite in substance that it is payable from and secured by the Pledged Revenues of the University pledged for the payment thereof.

# Terms of Bonds

The principal of and interest on, and the redemption price of the Bonds shall be payable in lawful money of the United States of America at the principal corporate trust office of the Trustee or of any paying agent at the option of a Registered Owner. Payment of interest on any fully registered Bond shall be (i) made to the Registered Owner thereof and shall be paid by check or draft mailed to the Registered Owner thereof as of the close of business on the Record Date at his address as it appears on the registration books of the Trustee or at such other address as is furnished to the Trustee in writing by such

Registered Owner, or (ii) with respect to units of \$500,000 or more of Bonds, made by wire transfer to the Registered Owner as of the close of business on the Record Date next preceding the interest payment date if such Registered Owner shall provide written notice to the Trustee not less than fifteen (15) days prior to such interest payment date at such wire transfer address as such Registered Owner shall specify, except, in each case, that, if and to the extent that there shall be a default in the payment of the interest due on any interest payment date, such defaulted interest shall be paid to the Registered Owners in whose name any such Bond is registered at the close of business on the fifth Business Day next preceding the date of payment of such defaulted interest.

The Bonds of any Series may be issued only in fully registered form without coupons in authorized denominations.

#### **Execution of Bonds**

The Bonds shall be signed on behalf of the Regents by the manual or facsimile signature of its President, attested by the manual or facsimile signature of its Secretary, and countersigned by the manual or facsimile signature of the Bursar of the University, and the seal of the University shall be thereunto affixed by the Secretary of the Regents, which may be by a facsimile of the University's seal which is imprinted upon the Bonds.

# Transfer or Exchange of Bonds

Any Bond shall be transferable by the Registered Owner thereof in person, or by his attorney duly authorized in writing, upon presentation and surrender of such Bond at the principal corporate trust office of the Trustee for cancellation and issuance of a new Bond registered in the name of the transferee, in exchange therefor; provided, however, the Trustee shall not be required to transfer the Bonds within fifteen (15) calendar days of a principal or interest payment.

# Lost, Stolen, Mutilated or Destroyed Bonds

In case any Bond shall be lost, stolen, mutilated or destroyed, the Trustee may authenticate and deliver a new Bond or Bonds of like date, denomination, interest rate, maturity, number, tenor and effect to the Registered Owner thereof upon the Registered Owner's paying the expenses and charges of the University and the Trustee in connection therewith and upon his filing with the University and the Trustee evidence satisfactory to the University and the Trustee of his ownership thereof, and upon furnishing the University and the Trustee with indemnity satisfactory to the University and the Trustee.

#### Registration

In the Resolution, the University adopts a system of registration with respect to the Bonds as required by Title 57, chapter 9, Idaho Code, as amended.

#### Notice of Redemption

A. <u>Notice of Redemption</u>. Notice of any redemption of Bonds shall be sent by the Trustee by first-class mail, postage prepaid, not less than thirty-five (35) nor more than sixty (60) days prior to the date fixed for redemption, to the Registered Owner of each Bond to be redeemed at the address shown on the Bond Register. This requirement shall be deemed to be complied with when notice is mailed as provided, regardless of whether or not it is actually received by the Registered Owner of any Bond to be redeemed.

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- B. <u>Effect of Redemption</u>. When so called for redemption, such Bonds shall cease to accrue interest on the specified redemption date, provided funds for redemption are on deposit at the place of payment at that time, and such Bonds shall not be deemed to be Outstanding as of such redemption date.
- C. <u>Voluntary Redemption Notice</u>. In addition to the notice required by subsection A above, further notice may be given by the Trustee as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed in said subsection A.
  - (1) Each further notice of redemption given may contain the following information:
    - (a) the redemption date;
    - (b) the redemption price;
- (c) if less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed;
- (d) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date:
- (e) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal corporate trust office of the Trustee;
  - (f) the CUSIP numbers of all Bonds being redeemed;
  - (g) the date of issue of the Bonds as originally issued;
  - (h) the rate of interest borne by each Bond being redeemed;
  - (i) the maturity date of each Bond being redeemed; and
- (j) any other descriptive information needed to identify accurately the Bonds being redeemed.
- (2) Each further notice of redemption may be sent at least thirty-five (35) days before the redemption date by registered or certified mail or overnight delivery service to:
- (a) all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds, such depositories being:
  - (i) Depository Trust Company, New York, New York; and
  - (ii) Philadelphia Depository Trust Company, Philadelphia,

Pennsylvania; and to

- (iii) Midwest Depository Trust Company, Chicago, Illinois.
- (b) one or more of the national information services that disseminate notices of redemption of obligations such as the Bonds (such as Moody's Municipal and Government or Standard & Poor's Called Bond Record).

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- (3) Each such further notice may be published one time in The Bond Buyer, published in New York, New York, or, if such publication is impractical or unlikely to reach a substantial number of the Registered Owners of the Bonds, in some other financial newspaper or journal which regularly carries notices of redemption of other obligations similar to the Bonds, such publication to be made at least thirty (30) days prior to the date fixed for redemption.
- (4) Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.
- D. Open Market Purchase. In the Resolution, the University reserves the right to purchase the Bonds on the open market at a price equal to or less than par. In the event the University purchases Bonds at a price (exclusive of accrued interest) of less than the principal amount thereof, Bonds so purchased shall be credited at the par amount thereof against the Debt Service requirement next becoming due. In the event the University purchases term Bonds at a price (exclusive of accrued interest) of less than the principal amount thereof, term Bonds so purchased shall be credited against the Mandatory Redemption Amounts next becoming due. All Bonds so purchased shall be cancelled.

#### Book-Entry Only System

The Series 2007 Bonds shall initially be registered on the Bond Register in the name of Cede & Co., the nominee for the Securities Depository, and no Beneficial Owner will receive certificates representing their respective interests in the Series 2007 Bonds, except in the event the Trustee issues Replacement Bonds as provided in the Resolution.

#### Additional Bonds

The Regents reserve the right to issue Additional Bonds secured equally and ratably with all Bonds issued under the Resolution by a pledge of (i) Pledged Revenues and (ii) the funds established by the Resolution, upon the conditions set forth in Article VII of the Resolution and as described in the Official Statement.

#### Investment of Funds

Monies held by the University or the Trustee in funds or accounts under the Resolution shall be invested in Investment Securities.

TERMS OF THE SERIES 2007 BONDS; PROVISIONS APPLICABLE TO THE SERIES 2007 BONDS

#### **Authorized Denominations**

Each Series of the Series 2007 Bonds will be issued as fully registered bonds without coupons in denominations of \$5,000 or any integral multiple thereof if such Series 2007 Bonds bear interest at a Term Interest Rate of one year or longer and in denominations of \$100,000 and integral multiples of \$5,000 in excess thereof so long as a Series of the Series 2007 Bonds bear interest at a Weekly Interest Rate or a Term Interest Rate of less than one year.

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#### **Interest Rate Periods**

The term of each Series of the Series 2007 Bonds will be divided into consecutive Interest Rate Periods, during which each Series of the Series 2007 Bonds will bear interest at a Weekly Interest Rate or a Term Interest Rate. The Series 2007A Bonds will bear interest at a Term Interest Rate of \_\_\_\_% during the Initial Term Interest Rate Period expiring on April 1, 2011. The Series 2007B Bonds will bear interest at a Term Interest Rate of \_\_\_\_% during the Initial Term Interest Rate Period expiring on April 1, 2018. Upon expiration of their respective Initial Term Interest Rate Periods, each Series of the Series 2007 Bonds will be subject to mandatory tender for purchase and may be Converted to a Weekly Interest Rate or a different Term Interest Rate Period at the Regent's discretion. The Series 2007 Bonds may not be Converted to a Weekly Interest Rate or a different Term Interest Rate Period prior to the expiration of their respective Initial Term Interest Rate Periods.

Liquidity Facility Provider Bonds shall bear interest which shall be computed and be payable as set forth in the applicable Liquidity Facility [and such interest rate may exceed the Maximum Interest Rate]. Furthermore, no tendered Series 2007 Bonds shall be remarketed if no Liquidity Facility is current and in place.

## **Interest Rate Determination Methods**

## Determination of Term Interest Rate

During each Term Interest Rate Period, each Series of the Series 2007 Bonds will bear interest at the applicable Term Interest Rate, which will be determined by the Remarketing Agent not later than 4:00 p.m. (New York City time) on the Business Day preceding the first day of such Term Interest Rate Period. Initially, the Series 2007 Bonds of each Series will bear interest at the Term Interest Rates set forth on the front cover hereof. The Term Interest Rate for each Series of the Series 2007 Bonds will be the rate determined by the Remarketing Agent (in part, on the basis of examination of obligations comparable to the Series 2007 Bonds known to the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by the Series 2007 Bonds of such Series, would enable the Remarketing Agent to sell the Series 2007 Bonds of such Series on such Business Day at a price equal to the principal amount thereof; provided, however, that if for any reason the Term Interest Rate is not so determined for any Term Interest Rate Period, the Interest Rate Period on the Series 2007 Bonds will automatically Convert to a Weekly Interest Rate and the Remarketing Agent will determine the Weekly Interest Rate for the initial Calendar Week on such date. Upon determination of each Term Interest Rate, the Remarketing Agent is required to provide written notice of such Term Interest Rate to the Trustee and the Regents. Each Series of the Series 2007 Bonds may have different Term Interest Rate Periods and may bear the same or different Term Interest Rates.

## Determination of Weekly Interest Rate

During each Weekly Interest Rate Period, the Series 2007 Bonds of a Series will bear interest at Weekly Interest Rates determined pursuant to the Resolution. Except as otherwise provided in the Resolution, the Weekly Interest Rate for each Calendar Week will be determined by the Remarketing Agent not later than 5:00 p.m. (New York City time) on the Wednesday immediately preceding such Calendar Week (or by 12:00 noon (New York City time) on the next succeeding Business Day if such Wednesday is not a Business Day); provided, however, that the initial Weekly Interest Rate for the Series 2007 Bonds of such Series will be determined by the Remarketing Agent on or prior to the Issue Date and provided further that if the Series 2007 Bonds of such Series are to be Converted to a Weekly Interest Rate Period from a Term Interest Rate Period, the Weekly Interest Rate for the initial Calendar Week of

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such Weekly Interest Rate Period will be determined not later than the Business Day next preceding the effective date of such Weekly Interest Rate Period.

The Weekly Interest Rate will be the rate determined by the Remarketing Agent (on the basis of examination of obligations comparable to the Series 2007 Bonds known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by the Series 2007 Bonds of such Series, would enable the Remarketing Agent to sell the Series 2007 Bonds of such Series on such day at a price equal to the principal amount thereof plus accrued interest; provided, however, that if for any reason the Weekly Interest Rate for a Calendar Week is not so determined, the Weekly Interest Rate for such Calendar Week will remain at the then-existing rate (or if the Series 2007 Bonds of such Series are being Converted to a Weekly Interest Rate Period from a Term Interest Rate Period, the Weekly Interest Rate for such Calendar Week will be a percent per annum equal to the Variable Index), and the Weekly Interest Rate for each succeeding Calendar Week will be a percent per annum equal to the Variable Index. Upon determination of each Weekly Interest Rate, the Remarketing Agent is required to provide notice to the Trustee of such Weekly Interest Rate. The Weekly Rates for the Series 2007A Bonds and the Series 2007B Bonds (if both are bearing interest at the Weekly Rate) may but are not required to be the same rate.

#### Change of Interest Rate Determination Methods

#### Conversion to Weekly Interest Rate Period

The Regents, by written direction to the Trustee and the Remarketing Agent, delivered at least thirty-five (35) days prior to the proposed Conversion Date, accompanied by the written consent of the Liquidity Facility Provider and the Insurer and an Approving Opinion, may elect to Convert the Interest Rate Period for a Series of the Series 2007 Bonds from a Term Interest Rate Period to a Weekly Interest Rate Period. Such direction is to specify the Conversion Date to such Weekly Interest Rate Period which is to be (a) the Payment Date next succeeding the last day of the then-current Term Interest Rate Period which is not less than thirty-five (35) days following the date of receipt by the Trustee of such direction, or (b) any date on which such Series of the Series 2007 Bonds may be optionally redeemed pursuant to the Resolution not less than thirty-five (35) days following the date of receipt by the Trustee of such direction.

#### Conversion to Term Interest Rate Period

The Regents, by written direction to the Trustee and the Remarketing Agent, delivered at least thirty-five (35) days prior to the proposed Conversion Date to a Term Interest Rate Period, accompanied by the written consent of the Liquidity Facility Provider (unless such proposed Conversion is for a Term Interest Rate Period expiring immediately prior to the final maturity date of a Series of the Series 2007 Bonds proposed to be converted) and the Insurer and an Approving Opinion, may elect to Convert the Interest Rate Period for a Series of the Series 2007 Bonds from a Weekly Interest Rate Period to a Term Interest Rate Period or from one Term Interest Rate Period to another Term Interest Rate Period, and is to determine the duration of any such new Term Interest Rate Period which will be one of the periods specified in the definition "Term Interest Rate Period." Such direction (a) is to specify the Conversion Date to such Term Interest Rate Period which is to be (1) the Payment Date which is not less than thirtyfive (35) days following the receipt by the Trustee of such direction if a Series of the Series 2007 Bonds are to be Converted from a Weekly Interest Rate Period to a Term Interest Rate Period; or (2) the Payment Date next succeeding the last day of the then-current Term Interest Rate Period which is not less than thirty-five (35) days following the date of receipt by the Trustee of such direction if a Series of the Series 2007 Bonds are to be Converted from one Term Interest Rate Period to another, or (3) any date on which such Series of the Series 2007 Bonds may be optionally redeemed at par pursuant to the Resolution

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not less than thirty-five (35) days following the date of receipt by the Trustee of such direction; and (b) is to specify the last day thereof. Notwithstanding anything else provided in the Resolution, unless a Series of the Series 2007 Bond is Converted to a Term Interest Rate Period expiring immediately prior to the final maturity date of such Series of the Series 2007 Bonds, the Regents may not Convert the Interest Rate Period on a Series of the Series 2007 Bonds to a Term Interest Rate Period unless the Liquidity Facility then in effect with respect to such Series of the Series 2007 Bonds has been modified, if necessary, to provide interest coverage sufficient to provide for all interest to accrue on such Series of the Series 2007 Bonds as of each Payment Date during and immediately succeeding such Term Interest Rate Period plus ten (10) additional days at the Term Interest Rate for such Term Interest Rate Period.

# Notice of Change in Interest Rate Determination Method

Except for an automatic Conversion to a Weekly Interest Rate Period or a Term Interest Rate Period pursuant to the Resolution, as to which no notice will be required, the Trustee is to give notice by first class mail of a Conversion of a Series of the Series 2007 Bonds to a Weekly Interest Rate Period or to a Term Interest Rate Period, as applicable, to the Bondholders, the Liquidity Facility Provider, the Remarketing Agent and the Regents not less than thirty (30) days prior to the Conversion Date for such Weekly Interest Rate Period. Such notice is required to state (1) that the Interest Rate Period on a Series of the Series 2007 Bonds will be Converted to a Weekly Interest Rate Period or to a Term Interest Rate Period, as applicable, (2) the Conversion Date to such Weekly Interest Rate Period or to a Term Interest Rate Period, as applicable, and, with respect to a Term Interest Rate Period, the final date thereof, (3) the day by which the initial Weekly Interest Rate for such Weekly Interest Rate Period will be determined and the manner by which the Weekly Interest Rates for such Weekly Interest Rate Period may be obtained, (4) the Payment Dates with respect to such Weekly Interest Rate Period or Term Interest Rate Period, as applicable, (5) that a Series of the Series 2007 Bonds will be purchased on such Conversion Date pursuant to the Resolution, (6) the procedures for such purchase as provided in (5) above, (7) the redemption provisions that will pertain to such Series of the Series 2007 Bonds during such Weekly Interest Rate Period or Term Interest Rate Period, as applicable, (8) the ratings which are expected to be assigned to such Series of the Series 2007 Bonds upon such Conversion, (9) with respect to a Conversion to a Weekly Interest Rate Period, that, subsequent to the Conversion Date, the Bondholders will have the right to demand purchase of such Series of the Series 2007 Bonds upon not less than seven days' notice and the procedures for a demand for purchase, and (10) with respect to a Conversion to a Term Interest Rate Period, the day by which the Term Interest Rate for such Term Interest Rate Period will be determined and whether a Liquidity Facility will be in effect with respect to such Series of the Series 2007 Bonds upon such Conversion to a Term Interest Rate Period and, if so, identifying such Liquidity Facility.

# Failure to Convert to a Different Interest Rate Period

Notwithstanding anything in the Resolution to the contrary, if the conditions to Convert a Series of the Series 2007 Bonds to a Weekly Interest Rate Period contained in the Resolution or to convert a Series of the Series 2007 Bonds from one Term Interest Rate Period to another Term Interest Rate Period contained in the Resolution are not satisfied, then the Interest Rate Period that will commence on the mandatory purchase of such Series of the Series 2007 Bonds on the Conversion Date specified in the notice of Conversion delivered to Bondholders pursuant to the Resolution, will automatically and without further action under the Resolution, be a Weekly Interest Rate and the Remarketing Agent will determine the interest rate to apply to such Series of the Series 2007 Bonds commencing on such Conversion Date.

Notwithstanding anything in the Resolution to the contrary, if an Event of Default has occurred and is continuing, the interest rate on the Series 2007 Bonds will be the rate on the Series 2007 Bonds on the day prior to the occurrence of such Event of Default.

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The determination of the interest rate on the Series 2007 Bonds by the Remarketing Agent will be conclusive and binding upon the Bondholders, the Liquidity Facility Provider, the Regents and the Trustee.

# Redemption of the Series 2007 Bonds

The Series 2007 Bonds of each Series are subject to redemption, in whole, or in part by lot in Authorized Denominations, prior to their maturity date, by the University as follows:

- (a) During any Weekly Interest Rate Period for such Series 2007 Bonds, on any Business Day at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date without premium.
- (b) During any Term Interest Rate Period for such Series 2007 Bonds, on any day during the periods specified below, at the redemption prices (expressed as percentages of principal amount of the Series 2007 Bonds (or portions thereof) to be redeemed) hereinafter indicated, plus accrued interest to the redemption date:

Lesser of Length of Term Interest Rate Period or Length of Time to Maturity	Redemption Dates and Prices
Greater than 10 years	At any time on or after the 5th anniversary of the effective date commencing such Term Interest Rate Period at 102%, declining ½% annually on each subsequent anniversary date to 100%
Greater than 6 and less than or equal to 10 years	At any time on or after the 3rd anniversary of the effective date commencing such Term Interest Rate Period at 101 ½%, declining ½% annually on each subsequent anniversary date to 100%
Greater than 4 and less than or equal to 6 years	At any time on or after the 2nd anniversary of the effective date commencing such Term Interest Rate Period at 101%, declining ½% annually on each subsequent anniversary date to 100%
Greater than 3 and less than or equal to 4 years	At any time on or after the 2nd anniversary of the effective date commencing such Term Interest Rate Period at 100 ½%, declining ½% annually on the next anniversary date to 100%
Greater than 2 and less than or equal to 3 years	At any time on or after the 1st anniversary of the effective date commencing such Term Interest Rate Period at 100 ½% declining ½% annually on the next anniversary date to 100%
Greater than 1 and less than or equal to 2 years	At any time on or after the 1st anniversary of the effective date commencing such Term Interest Rate Period at 100% annually
Less than or equal to 1 year	On the Payment Date which is six months after the effective date of such Term Interest Rate Period at 100%

Notwithstanding the optional redemption schedule set forth above, on or prior to the effective date of a Term Interest Rate Period ending on the day immediately preceding the maturity date of the

related Series 2007 Bonds, the Remarketing Agent can provide an alternate optional redemption schedule if it obtains an Approving Opinion.

## Optional Tender

During any Weekly Interest Rate Period for the Series 2007 Bonds of any Series, any Series 2007 Bond or any permitted portion thereof may be tendered for purchase at the option of the Holder thereof on any Business Day at the applicable Purchase Price, payable from the sources specified in the Resolution in immediately available funds upon delivery by the Holder of such Bond to the Trustee at its Principal Office of an irrevocable notice by telephone or Electronic Notice (promptly confirmed in writing) or written notice by 5:00 p.m. (New York City time) on any Business Day at least seven days prior to the Purchase Date, which states the principal amount of such Series 2007 Bond to be tendered for purchase and the Purchase Date.

If any Series 2007 Bond will be purchased in part as described in the above paragraph, the amount so purchased and the amount not so purchased, if any, must each be an Authorized Denomination.

Any notice of tender of Series 2007 Bonds delivered to the Trustee will be irrevocable with respect to the purchase for which such notice was delivered and will be binding upon any subsequent Bondholder or Beneficial Owner of the Series 2007 Bonds to which it relates, including any Series 2007 Bond issued in exchange therefor or upon the registration of transfer thereof, and as of the date of such notice, the Holder or Beneficial Owner of the Series 2007 Bonds specified therein will not have any right to optionally tender for purchase such Series 2007 Bonds prior to the date of purchase specified in such notice.

#### Mandatory Tender for Purchase

A Series of the Series 2007 Bonds will be subject to mandatory tender for purchase at the applicable Purchase Price, payable from the sources specified in the Resolution in immediately available funds, on April 1, 2011 (in the case of the Series 2007A Bonds), on April 1, 2018 (in the case of the Series 2007B Bonds), and upon the occurrence of any of the events listed under "THE SERIES 2007 BONDS – Mandatory Tender for Purchase" in the front part of the Official Statement to which this Appendix D is attached.

The Trustee is to give Notice by Mail to the Holders of the Series 2007 Bonds subject to mandatory tender for purchase as described in "THE SERIES 2007 BONDS – Mandatory Tender for Purchase" in the front part of the Official Statement to which this Appendix D is attached.

# <u>Delivery of Tendered Series 2007 Bonds; Payment of Purchase Price; Series 2007 Bonds Deemed Purchased</u>

With respect to any Book-Entry Bond, delivery of such Series 2007 Bond to the Trustee in connection with any optional or mandatory tender shall be effected by the making of, or the irrevocable authorization to make, appropriate entries on the books of DTC or any DTC Participant to reflect the transfer of the beneficial ownership interest in such Series 2007 Bond to the account of the Trustee, or to the account of a DTC Participant acting on behalf of the Trustee. With respect to any Series 2007 Bond which is not a Book-Entry Bond, delivery of such Series 2007 Bond to the Trustee in connection any optional or mandatory tender shall be effected by physical delivery of such Series 2007 Bond to the Trustee at its Principal Office, by 1:00 p.m. (New York City time) on the Purchase Date, accompanied by documents described in the Resolution.

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The Trustee agreed to accept and hold all Series 2007 Bonds delivered to it pursuant to the Resolution in trust for the benefit of the respective Bondholders or Beneficial Owners which shall have so delivered such Series 2007 Bonds until the Purchase Price of such Series 2007 Bonds shall have been delivered to or for the account of or to the order of such Holders or Beneficial Owners pursuant to the Resolution. Any Series 2007 Bonds registered for transfer to new purchasers and delivered to the Trustee as described in the Resolution shall be held in trust by the Trustee for the benefit of such new purchasers until delivery to such new purchasers.

The Trustee is required, as to any Series 2007 Bonds which have not been delivered to it as described above, to (i) notify the Remarketing Agent in writing of such nondelivery and (ii) place a stop transfer against an appropriate amount of Series 2007 Bonds registered in the name of the Holder of such Series 2007 Bonds on the Bond Register. The Trustee is required to place and maintain such stop transfer commencing with the lowest serial number Series 2007 Bond registered in the name of such Holder until stop transfers have been placed against an appropriate amount of Series 2007 Bonds and until the appropriate Series 2007 Bonds are delivered to the Trustee.

The Purchase Price of Series 2007 Bonds to be purchased upon optional or mandatory tender as described herein is to be paid by the Trustee from moneys on deposit in the applicable account of the Bond Purchase Fund at or before 4:00 p.m. (New York City time) on the Purchase Date upon surrender to the Trustee of the tendered Series 2007 Bonds.

If moneys sufficient to pay the Purchase Price of Series 2007 Bonds to be purchased are held by the Trustee on the date such Series 2007 Bonds are to be purchased, such Series 2007 Bonds shall be deemed to have been purchased for all purposes of the Resolution, irrespective of whether or not such Series 2007 Bonds shall have been delivered to the Trustee or transferred on the books of DTC, and neither the former Holder nor the former Beneficial Owner of such Series 2007 Bonds shall have any claim thereon, under the Resolution or otherwise, for any amount other than the Purchase Price thereof. In the event of non-delivery of any Series 2007 Bonds to be purchased pursuant to mandatory or optional tender, the Trustee is to segregate and hold uninvested the moneys for the Purchase Price of such Series 2007 Bonds in trust, without liability for interest thereon, for the benefit of the former Holders of such Series 2007 Bonds, who shall, except as provided in the following sentence, thereafter be restricted exclusively to such moneys for the satisfaction of any claim for the Purchase Price of such Series 2007 Bonds. Any moneys which the Trustee shall segregate and hold in trust for the payment of the Purchase Price any Series 2007 Bond and remaining unclaimed for four (4) years after the applicable Purchase Date shall, to the extent permitted by law, be paid, upon written request of the University, to the University. After the payment of such unclaimed moneys to the University, the former Holder of such Series 2007 Bond shall look only to the University for the payment thereof.

#### **Bond Purchase Funds**

Series 2007A Bond Purchase Fund.

The 2007 Supplemental Resolution creates and establishes with the Trustee a trust fund designated the "Series 2007A Bond Purchase Fund." There is created and established separate accounts in the Series 2007A Bond Purchase Fund designated the "Series 2007A Remarketing Account" and the "Series 2007A Liquidity Facility Purchase Account."

<u>Series 2007A Remarketing Account.</u> All moneys received by the Trustee on behalf of purchasers of Series 2007A Bonds pursuant to the provisions of the 2007 Supplemental Resolution described under "Remarketing of Purchased Bonds" below is required to be (i) deposited in the Series 2007A Remarketing Account within the Series 2007A Bond Purchase

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Fund, (ii) held in trust in accordance with the provisions of the Resolution and (iii) paid out as described under "Deposits into and Disbursements from the Respective Remarketing Accounts" below.

<u>Series 2007A Liquidity Facility Account.</u> All moneys received by the Trustee as payments under any Liquidity Facility for the purchase of Series 2007A Bonds shall be (i) deposited in the Series 2007A Liquidity Facility Purchase Account within the Series 2007A Bond Purchase Fund, (ii) held in trust in accordance with the provisions of the Resolution and (iii) paid out paid out as described under "Deposits into and Disbursements from the Respective Remarketing Accounts" below.

The funds held by the Trustee in the Series 2007A Bond Purchase Fund shall not be considered Pledged Revenues as that term is defined in the Resolution. The moneys in the Series 2007A Bond Purchase Fund shall be used solely to pay the Purchase Price of Series 2007A Bonds as provided in the 2007 Supplemental Resolution (or to reimburse the Liquidity Facility Provider, if any, for payments made under the Liquidity Facility for such purpose) and may not be used for any other purposes. All amounts held in the Series 2007A Bond Purchase Fund and the Series 2007A Remarketing Account and the Series 2007A Liquidity Facility Purchase Account therein shall be held in trust by the Trustee for the benefit of the Bondholders or Beneficial Owners of tendered Series 2007A Bonds (provided that any amounts held in the Series 2007A Remarketing Account which are derived from the remarketing of Liquidity Facility Provider Bonds shall be held in trust for the benefit of the Liquidity Facility Provider).

Series 2007B Bond Purchase Fund.

The 2007 Supplemental Resolution creates and establishes with the Trustee a trust fund designated the "Series 2007B Bond Purchase Fund." There is also created and established separate accounts in the Series 2007B Bond Purchase Fund designated the "Series 2007B Remarketing Account" and the "Series 2007B Liquidity Facility Purchase Account."

Series 2007B Remarketing Account. All moneys received by the Trustee on behalf of purchasers of Series 2007B Bonds pursuant to the provisions of the 2007 Supplemental Resolution described under "Remarketing of Purchased Bonds" below is required to be (i) deposited in the Series 2007B Remarketing Account within the Series 2007B Bond Purchase Fund, (ii) held in trust in accordance with the provisions of the Resolution and (iii) paid out described under "Deposits into and Disbursements from the Respective Remarketing Account "below.

Series 2007B Liquidity Facility Purchase Account. All moneys received by the Trustee as payments under any Liquidity Facility for the purchase of Series 2007B Bonds shall be (i) deposited in the Series 2007B Liquidity Facility Purchase Account within the Series 2007B Bond Purchase Fund, (ii) held in trust in accordance with the provisions hereof and (iii) paid out described under "Deposits into and Disbursements from the Respective Remarketing Accounts" below.

The funds held by the Trustee in the Series 2007B Bond Purchase Fund shall not be considered Pledged Revenues as that term is defined in the Resolution. The moneys in the Series 2007B Bond Purchase Fund shall be used solely to pay the Purchase Price of Series 2007B Bonds as provided herein (or to reimburse the Liquidity Facility Provider, if any, for payments made under the Liquidity Facility for such purpose) and may not be used for any other purposes. All amounts held in the Series 2007B Bond Purchase Fund and the Series 2007B Remarketing

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Account and the Series 2007B Liquidity Facility Purchase Account therein shall be held in trust by the Trustee for the benefit of the Bondholders or Beneficial Owners of tendered Series 2007B Bonds (provided that any amounts held in the Series 2007B Remarketing Account which are derived from the remarketing of Liquidity Facility Provider Bonds shall be held in trust for the benefit of the Liquidity Facility Provider).

# Remarketing of Purchased Bonds

Weekly Put Bonds

Not later than 10:30 a.m. (New York City time) on each Business Day succeeding a day on which the Trustee receives a notice from a Holder of Series 2007 Bonds to be tendered pursuant to the Resolution (the "Weekly Put Bonds"), the Trustee is to give notice by telephone to the Remarketing Agent, specifying the principal amount of Series 2007 Bonds for which it has received such notice, the names of the Holder or Holders thereof and the Purchase Date. The Remarketing Agent is to thereupon offer for sale at par and use its best efforts to find purchasers for such Weekly Put Bonds, other than Liquidity Facility Provider Bonds, which are to be remarketed as described under "Liquidity Facility Provider Bonds" below.

Not later than 11:00 a.m. (New York City time) on the Business Day immediately preceding the Purchase Date described in immediately preceding paragraph, the Trustee is to give notice by telephone to the Remarketing Agent of the accrued amount of the interest payable as of such Purchase Date, and confirming the aggregate principal amount of, the Weekly Put Bonds.

Not later than 10:30 a.m. (New York City time) on each Purchase Date for Weekly Put Bonds, the Remarketing Agent is to give Electronic Notice (promptly confirmed in writing) to the Regents and the Trustee of the amount of remarketing proceeds that the Remarketing Agent has received and the principal amount of Weekly Put Bonds which have not been remarketed in accordance with the Remarketing Agreement.

If the Trustee does not possess sufficient remarketing proceeds to purchase all the Weekly Put Bonds to be purchased on any Purchase Date, the Trustee is to demand payment under the Liquidity Facility then in effect with respect to the Weekly Put Bonds prior to 11:00 a.m. (New York City time) on such Purchase Date so as to provide by 3:30 p.m. (New York City time) on such Purchase Date an amount sufficient, together with the remarketing proceeds to be available for such purchase, calculated solely on the basis of the notice given by the Remarketing Agent pursuant to the immediately preceding paragraph, to pay the Purchase Price of the Weekly Put Bonds. The Trustee is to immediately after such demand for payment give notice by telephone to the Regents of the amount, if any, of such demand.

See "THE SERIES 2007 BONDS – Remarketing of Purchased Bonds" in the front part of the Official Statement to which this Appendix D is attached for a description of certain provisions of the Resolution relating to the remarketing of the Series 2007 Bonds tendered for purchase pursuant to mandatory tender provisions of the Resolution and the remarketing of the Liquidity Facility Provider Bonds.

## Deposits into and Disbursements from the Respective Remarketing Accounts

The Resolution requires the terms of any sale by the Remarketing Agent of tendered Series of the Series 2007 Bonds to provide for the payment of the Purchase Price for such tendered Series 2007A Bonds or the Series 2007B Bonds by the Remarketing Agent to the Trustee for deposit in the Series 2007A Remarketing Account of the Series 2007A Bond Purchase Fund or the Series 2007B Remarketing

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Account of the Series 2007B Bond Purchase Fund, as applicable, in immediately available funds at or before 2:00 p.m. (New York City time) on the Purchase Date. The Remarketing Agent shall cause to be paid to the Trustee on each Purchase Date for tendered Series 2007A Bonds or the Series 2007B Bonds the amount specified in the notice given by the Remarketing Agent pursuant to provisions described under "Remarketing of Purchased Bonds" above.

Moneys in the Series 2007A Bond Purchase Fund and the Series 2007B Bond Purchase Fund (other than the proceeds of any remarketing of Liquidity Facility Provider Bonds which shall be paid to the Liquidity Facility Provider on the remarketing date) shall be applied at or before 4:00 p.m. (New York City time) to the purchase of Series 2007A Bonds and the Series 2007B Bonds, respectively, as provided in the Resolution by the Trustee, on each Purchase Date, as follows:

- (i) First, moneys constituting funds in the Series 2007A Remarketing Account and the Series 2007B Remarketing Account shall be used by the Trustee on any Purchase Date to purchase tendered Series 2007A Bonds and the Series 2007B Bonds, respectively, at the Purchase Price.
- (ii) Second, in the event such moneys in the Series 2007A Remarketing Account and the Series 2007B Remarketing Account on any Purchase Date are insufficient to purchase all tendered Series 2007A Bonds and the Series 2007B Bonds, respectively, moneys in the Series 2007A Liquidity Facility Purchase Account and the Series 2007B Liquidity Facility Purchase Account, respectively, on such Purchase Date shall be used by the Trustee at that time to purchase such remaining tendered Series 2007A Bonds and the Series 2007B Bonds, respectively, at the Purchase Price thereof.

Notwithstanding anything to the contrary in the Resolution, if the Series 2007A Bonds or the Series 2007B Bonds are Book-Entry Bonds, payment of the Purchase Price for tendered Series 2007A Bonds or the Series 2007B Bonds shall be made in accordance with the rules and procedures of DTC, including the timing requirements of DTC.

The Resolution requires the Trustee, as to any Series 2007A Bonds or the Series 2007B Bonds which have not been delivered to it as required by the Resolution provisions described under "Delivery of Tendered Series 2007 Bonds; Payment of Purchase Price; Series 2007 Bonds Deemed Purchased" above, to (i) notify the Remarketing Agent in writing of such nondelivery and (ii) place a stop transfer against an appropriate amount of Series 2007A Bonds registered in the name of the Holder of such Series 2007A Bonds on the Bond Register. The Trustee shall place and maintain such stop transfer commencing with the lowest serial number Series 2007A Bond registered in the name of such Holder until stop transfers have been placed against an appropriate amount of Series 2007A Bonds until the appropriate Series 2007A Bonds are delivered to the Trustee. Upon such delivery, the Trustee shall make any necessary adjustments to the Bond Register.

<u>Limitation</u>. Notwithstanding anything contained in the Resolution to the contrary, while any Liquidity Facility is in effect for the Series 2007A Bonds or the Series 2007B Bonds, the Trustee shall not use proceeds obtained by remarketing any Series 2007A Bonds or the Series 2007B Bonds, as applicable, to the University or the Regents to pay any portion of the Purchase Price of the tendered Series 2007A Bonds or the Series 2007B Bonds, respectively, and no such proceeds shall be deposited in the Series 2007A Remarketing Account of the Series 2007B Bonds Purchase Fund or the Series 2007B Remarketing Account of the Series 2007B Purchase Fund, respectively.

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#### PLEDGE OF REVENUES; ESTABLISHMENT OF FUNDS AND ACCOUNTS

#### <u>Pledge of Pledged Revenues</u>

In the Resolution, the University pledges for the payment of the Bonds, equally and ratably, the Pledged Revenues, provided, however, that the pledge of certain such Pledged Revenues to the Bonds is subordinate to the pledge of such revenues to Outstanding Activity Center Bonds and the Recreation Center Bonds. The Pledged Revenues shall not, except as provided in the Resolution, be used for any other purpose while any of the Bonds issued under the Resolution, including the Series 2007 Bonds, remain Outstanding. Except as provided in the Resolution, including with respect to the Outstanding Activity Center Bonds and the Recreation Center Bonds, this pledge shall constitute a first and exclusive lien on the Pledged Revenues for the payment of the Bonds in accordance with the terms of the Resolution.

## Confirmation and Establishment of Funds

The following Funds are established under the Resolution:

- A. Revenue Fund to be held by the University;
- B. Construction Fund to be held by the University;
- C. Bond Fund, consisting of a Debt Service Account and a Debt Service Reserve Account (only with respect to the Pre-2005A Bonds), to be held by the Trustee [Note: if, prior to the issuance of the Series 2007 Bonds, all bond insurers of the Outstanding Pre-2005 Bonds shall not have consented to the 2005 Amendments pursuant to the Resolution, the Debt Service Reserve Account in the amount of the Reserve Account Requirement for the Series 2007 Bonds will be funded with the proceeds of the Series 2007 Bonds and maintained by the Trustee in accordance with the Resolution];
  - D. Cost of Issuance Fund to be held by the University;
  - E. Rebate Fund to be held by the University.

The 2007 Supplemental Resolution creates (i) the "Series 2007A Bond Purchase Fund" and within such fund the "Series 2007A Remarketing Account" and the "Series 2007A Liquidity Facility Purchase Account" and (ii) the "Series 2007B Bond Purchase Fund" and within such fund the "Series 2007B Remarketing Account" and the "Series 2007B Liquidity Facility Purchase Account."

The Series 2007 Supplemental Resolution also creates in the Construction Fund the "Series 2007B Project Account" and the "Series 2007 Costs of Issuance Account," both of which accounts are to be held by the University.

The Escrow Agreement creates an "Escrow Account" in connection with the refunding of the Refunded Bonds.

The University may establish one or more separate and segregated subaccounts within the Debt Service Account or the Debt Service Reserve Account, if any, from time to time as shall be necessary.

#### Revenue Fund; Bond Fund; Flow of Funds

- A. <u>Required Deposits</u>. The University shall deposit as received all Pledged Revenues into the Revenue Fund. The University shall deposit into the Debt Service Account in the Bond Fund the accrued interest, if any, received from the sale of a series of Bonds to the initial purchasers thereof. The University shall also deposit into the Debt Service Account the portion, if any, of the Net Proceeds designated as capitalized interest on a series of Bonds.
- B. <u>Permitted Deposits</u>. At any time the University may deposit into the Revenue Fund or the Bond Fund such other funds and revenues that do not constitute Pledged Revenues, as the University may in its discretion determine.
- C. <u>Required Transfers</u>. Moneys in the Revenue Fund shall be transferred to the Trustee for deposit in the Debt Service Account in the Bond Fund not later than five (5) days before any Payment Date, an amount equal to Debt Service coming due on such Payment Date. There may be credited against the foregoing transfer, however, any moneys deposited in the Debt Service Account which are available to pay Debt Service on the Bonds and which have not previously been taken as a credit against the required transfers.

[Note: if, prior to the issuance of the Series 2007 Bonds, all bond insurers of the Outstanding Pre-2005 Bonds shall not have consented to the 2005 Amendments pursuant to the Resolution, then following the transfer to the Debt Service Account in the Bond Fund described above, moneys in the Revenue Fund shall be transferred to the Trustee for deposit in the Debt Service Reserve Account in the Bond Fund as soon as practicable after moneys are withdrawn from the Debt Service Reserve Account in accordance with the Resolution.]

The Trustee shall pay out of the Debt Service Account to the Registered Owners of the Bonds entitled to such payment on or before each Payment Date the amount of Debt Service payable on such date.

D. <u>Remaining Amounts</u>. Amounts remaining in the Revenue Fund at any time in excess of the amounts necessary to make the payments required above may be applied by the University, free and clear of the lien of the Resolution, to the extent permitted by law, (i) to the redemption of Bonds in accordance with the Resolution or (ii) for any other lawful purpose of the University.

#### Construction Fund/Project Account

There shall be paid into the Construction Fund the amounts required to be so paid by the provisions of the Resolution or any Supplemental Resolution.

The University may establish within the Construction Fund separate Project Accounts and may establish one or more subaccounts in each Project Account. Income received from the investment of moneys in any Project Account in the Construction Fund shall be credited to such Project Account. Upon completion of any Project, the relevant Project Account shall be closed, and all remaining amounts in such Project Account shall be transferred to the Debt Service Account in the Bond Fund.

Before any payment is made from any Project Account in the Construction Fund, the University shall execute a Written Certificate showing with respect to each payment to be made the name of the person to whom payment is due and the amount to be paid and certifying that the obligation to be paid was incurred and is a proper charge against the Project Account in the Construction Fund and in a reasonable amount against the Project Account in the Construction Fund and has not been theretofore

included in a prior Written Certificate, and that insofar as any such obligation was incurred for work, materials, equipment or supplies, such work was actually performed, or such materials, equipment or supplies were actually installed in furtherance of the acquisition of the Project or delivered at the site of the Project for that purpose or delivered for storage or fabrication or as a progress payment due on equipment being fabricated to order.

Before any payment is made from the Project Account in the Construction Fund for the payment of Costs of Issuance, the University shall execute its Written Certificate, signed by an Authorized Officer of the University, stating, in respect of each payment to be made, (a) the name and address of the person, firm or corporation to whom payment is due, (b) the amount to be paid, (c) the particular item of the Cost of Issuance to be paid, and (d) that the cost or obligation in this stated amount is a proper item of the Cost of Issuance and has not been paid.

#### Bond Fund — Debt Service Reserve Account

- A. Simultaneously with the issuance of Bonds, the Trustee shall (i) deposit, from the Net Proceeds, an amount which shall cause the amount on deposit in the Debt Service Reserve Account to equal the Reserve Account Requirement for the related Series of the Pre-2005 Bonds; or (ii) deposit a Reserve Account Credit Enhancement in an amount to equal the Reserve Account Requirement when added to the cash and surety bonds currently on deposit therein. The University may not substitute a Reserve Account Credit Enhancement for the funds on deposit in the Debt Service Reserve Account, without the prior written consent of all insurers of Outstanding Pre-2005 Bonds. Funds on deposit in the Debt Service Reserve Account shall be invested in Investment Securities having an average aggregate weighted term to maturity of not greater than five (5) years.
- B. If on any Payment Date the amount in the Debt Service Account is less than the amount required to pay such Debt Service, the Trustee shall apply amounts from the Debt Service Reserve Account to the extent necessary to make said payments.
- C. Any deficiency in the Debt Service Reserve Account created by a withdrawal as authorized by the preceding paragraph shall be replaced as soon as practicable by deposits of legally available moneys from the Revenue Fund, as provided in the Resolution, until the Debt Service Reserve Account is restored to the Reserve Account Requirement.

[Note: The foregoing provisions relating to the Debt Service Reserve Account will apply to the Series 2007 Bonds if, prior to the issuance of the Series 2007 Bonds, consents of the bond insurers of the Outstanding Pre-2005 Bonds to the 2005 Amendments are not obtained]:

#### PAYMENT AGREEMENTS

Note: The following provisions will be added to the Resolution if, prior to the issuance of the Series 2007 Bonds, consents to the 2005 Amendments are obtained from insurance companies insuring Outstanding Pre-2005 Bonds:

The Resolution authorizes the Regents to enter into a Payment Agreement and to make a Payment Agreement Payment thereunder on a parity of lien with the payment of the Bonds if the Payment Agreement satisfies the requirements for Additional Bonds described in the Resolution (See "SECURITY FOR THE SERIES 2007 BONDS – Covenants – *Issuance of Additional Bonds*" in the front part of the Official Statement to which this Appendix D is attached for a description of requirements for issuance of Additional Bonds), taking into consideration regularly scheduled Payment Agreement Payments and

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Receipts (if any) under the Payment Agreement. The following shall be conditions precedent to the use of any Payment Agreement on a parity with the Bonds:

- (i) The University shall obtain an opinion of Bond Counsel on the due authorization and execution of such Payment Agreement, the validity and enforceability thereof and opining that the action proposed to be taken is authorized or permitted by the Resolution or the applicable provisions of any Supplemental Resolution and will not adversely affect the excludability for federal income tax purposes of the interest on any Outstanding Bonds.
- (ii) Prior to entering into a Payment Agreement, the University shall adopt a resolution which shall:
  - A. set forth the manner in which the Payments and Receipts are to be calculated and a schedule of Payment Agreement Payment Dates;
  - B. establish general provisions for the rights of the parties to Payment Agreements; and
  - C. set forth such other matters as the University deems necessary or desirable in connection with the management of Payment Agreements as are not clearly inconsistent with the provisions of the Resolution.

The Payment Agreement may oblige the University to pay, on one or more scheduled and specified Payment Agreement Payment Dates, the Payments in exchange for the Payor's obligation to pay or to cause to be paid to the University, on scheduled and specified Payment Agreement Payment Dates, the Receipts. The University may also enter into Payment Agreements that are not reciprocated by the other party to the agreement.

If the University enters into a Parity Payment Agreement, Payments shall be made from the Debt Service Account and Annual Debt Service shall include any regularly scheduled University Payments adjusted by any regularly scheduled Receipts during a Fiscal Year. Receipts shall be paid directly into the Debt Service Account. Obligations to make unscheduled payments, such a termination payments, may not be entered into on a parity with the Bonds. To the extent that a Parity Payment Agreement has been designated as a hedge of the interest rate features of either Fixed Rate Bonds or Bonds bearing variable rates of interest, Annual Debt Service during the term of such Parity Payment Agreement shall be modified to reflect such Parity Payment Agreement.

Nothing in the Resolution precludes the University from entering into Payment Agreements with a claim on Pledged Revenues junior to that of the Bonds. Furthermore, nothing in the Resolution precludes the University from entering into obligations on a parity with the Bonds in connection with the use of Payment Agreements or similar instruments if the University obtains an opinion of Bond Counsel that the obligations of the University thereunder are consistent with the Resolution.

For purposes of the foregoing Payment Agreements provisions of the Resolution, the following terms have the following meanings:

"Payment" means any payment required to be made by or on behalf of the University under a Payment Agreement and which is determined according to a formula set forth in the Payment Agreement.

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"Parity Payment Agreement" means a Payment Agreement under which the University's payment obligations are expressly stated to be secured by a pledge of and lien on Pledged Revenues on an equal and ratable basis with the Pledged Revenues required to be paid into the Bond Fund to pay and secure the payment of the principal of and interest on Outstanding Bonds.

"Payment Agreement" means a written agreement, for the purpose of managing or reducing the University's exposure to fluctuations or levels of interest rates, currencies or commodities or for other interest rate, investment, asset or liability management purposes, entered into on either a current or forward basis by the University and a Qualified Counterparty, all as authorized by any applicable laws of the State. Such agreement may or may not be characterized by a structure of reciprocity of payment.

"Payment Agreement Payment Date" means any date specified in the Payment Agreement on which a Payment or Receipt is due and payable under the Payment Agreement.

"Receipt" means any payment (designated as such by a resolution) to be made to, or for the benefit of, the University under a Payment Agreement by the Payor.

"Payor" means a Qualified Counterparty to a Payment Agreement that is obligated to make one or more payments thereunder.

"Qualified Counterparty" means a party (other than the University or a party related to the University) who is the other party to a Payment Agreement that has or whose obligations are unconditionally guaranteed by a party whose long term debt is rated "A" or higher by Moody's and S&P and who is otherwise qualified to act as the other party to a Payment Agreement under any applicable laws of the State of Idaho.

#### THE REMARKETING AGENT FOR THE SERIES 2007 BONDS

George K. Baum & Company has been appointed as the initial Remarketing Agent with respect to the Series 2007 Bonds. Any subsequent Remarketing Agent shall be appointed by the Regents, with the consent of the Liquidity Facility Provider and the Insurer, subject to the conditions described below. A Remarketing Agent shall be a bank, trust company or member of the National Association of Securities Dealers, Inc. organized and doing business under the laws of any state of the United States of America or the District of Columbia and shall have together with its parent, if any, a capitalization of at least fifteen million dollars (\$15,000,000) as shown in its or its parent's most recently published annual report.

A Remarketing Agent may resign by notifying the Regents, the Trustee and the Liquidity Facility Provider at least thirty (30) days before the effective date of the resignation. The Regents, with the prior written consent of the Liquidity Facility Provider, may remove the Remarketing Agent pursuant to the terms of the Remarketing Agreement. In addition, the Remarketing Agent may terminate its obligations under the Remarketing Agreement pursuant to the terms thereof. No removal or resignation of the Remarketing Agent will become effective until a successor Remarketing Agent meeting the requirements of the Resolution has been duly appointed and accepted its obligations under the Resolution and the Remarketing Agreement, provided, however, that the Remarketing Agent may resign without compliance with such requirement as long as the Remarketing Agent provides notice as required herein at least ninety (90) days before the effective date of such resignation and such effective date is within the Initial Term Interest Rate Period expiring on April 1, 2011. Any appointment of a successor Remarketing Agent by the Regents shall be subject to the prior written consent of the Liquidity Facility Provider (if the Series 2007 Bonds are in an Interest Rate that requires a Liquidity Facility) and the Insurer. The Liquidity Facility Provider shall be a third-party beneficiary of the Remarketing Agreement.

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#### COVENANTS CONCERNING THE TRUSTEE

Wells Fargo Bank, N.A., as successor to First Security Bank, N.A., acts as Trustee under the Resolution and also acts as paying agent, bond registrar, authenticating agent, and transfer agent with respect to the Bonds. The Trustee makes no representations as to the validity or sufficiency of the Resolution or of any Bonds issued thereunder or as to the security afforded by the Resolution, and the Trustee shall not incur any liability in respect thereof. The Trustee shall not be liable in connection with the performance of its duties under the Resolution except for its own negligence, misconduct or default.

The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Resolution. In case an Event of Default has occurred (which has not been cured), the Trustee shall exercise such of the rights and powers vested in it by the Resolution and use the same degree of care and skill in its exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

The Trustee, after a successor Trustee has been duly appointed and has accepted the duties of Trustee in writing, may at any time resign and be discharged of the duties and obligations created by the Resolution by giving not less than sixty (60) days' written notice to the University and to insurers of any outstanding Bonds.

The Trustee may be removed at any time by the University or by insurers of outstanding Bonds, so long as the respective insurer of any Bonds is not in default under its respective policy. Any Trustee appointed in succession to the Trustee shall (1) be a bank or trust company or national banking association, duly authorized to exercise trust powers, and (2) have a reported capital and surplus of not less than \$75,000,000.

#### MODIFICATION OR AMENDMENT OF RESOLUTION

The Resolution or any Supplemental Resolution and the rights and obligations of the University and of the Registered Owners of the Bonds may be modified or amended at any time by a Supplemental Resolution and pursuant to the affirmative vote at a meeting of Registered Owners, or with the written consent without a meeting, (1) of the Registered Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, (2) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Registered Owners of at least sixty percent (60%) in principal amount of the Bonds of each Series so affected and then Outstanding, and (3) in case the modification or amendment changes the terms of any Mandatory Redemption Amounts, of the Registered Owners of at least sixty percent (60%) in principal amount of the Bonds of the particular Series and maturity entitled to such Mandatory Redemption Amounts and then Outstanding; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series remain Outstanding, the consent of the Registered Owners of Bonds of such Series shall not be required and Bonds of such Series shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this section. No such modification of amendment shall (x) extend the fixed maturity of any Bond, or reduce the principal amount or redemption price thereof, or reduce the rate or extend the time of payment of interest thereon, without the consent of the Registered Owner of each Bond so affected, or (y) reduce the aforesaid percentage of Bonds required for the affirmative vote or written consent to an amendment or modification of the Resolution, without the consent of the Registered Owners of all of the Bonds then Outstanding, or (z) without its written consent thereto, modify any of the rights or obligations of the Trustee.

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The Resolution or any Supplemental Resolution and the rights and obligations of the University and of the Registered Owners of the Bonds may also be modified or amended at any time by a Supplemental Resolution, without the consent of any Registered Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

- (1) to add to the covenants and agreements of the University in the Resolution contained, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved in the Resolution to or conferred upon the University;
- (2) to make such provisions for the purpose of curing any ambiguity, or of curing or correcting any defective provision contained in the Resolution, or in regard to questions arising under the Resolution, as the University may deem necessary or desirable, and which shall not adversely affect the interests of the Trustee or the Registered Owners of the Bonds;
- (3) to provide for the issuance of a Series of Bonds, and to provide the terms and conditions under which such Series of Bonds may be issued, subject to and in accordance with the provisions of Article VII of the Resolution;
- (4) to provide for the issuance of the Bonds pursuant to a book-entry system or as uncertificated public obligations pursuant to the provisions of the Registered Public Obligations Act, Chapter 9 of Title 57, Idaho Code; and
- (5) during the term of any credit enhancement agreements (including, without limitation, standby bond purchase agreements and letters of credit) permitted in Section 57-231, Idaho Code, to amend any provisions of the Resolution which is intended solely to be for the benefit of the issuer of the credit enhancement agreement.

Such Supplemental Resolution shall become effective as of the date of its adoption or such later date as shall be specified in such Supplemental Resolution.

Copies of any modification or amendment to the Resolution shall be sent to any rating agency maintaining a rating on the Bonds at least ten (10) days prior to the effective date thereof.

#### EVENTS OF DEFAULT AND REMEDIES OF REGISTERED OWNERS

### **Events of Default**

If any one or more of the following Events of Default shall occur, it is an "event of default" under the Resolution:

- (1) failure to make the due and punctual payment of any Principal Installment of a Bond when and as the same shall become due and payable, whether at maturity, by call for redemption, or declaration or otherwise;
- (2) failure to make the due and punctual payment of any installment of interest on any Bond or any Mandatory Redemption Amount, when and as such interest installment or any Mandatory Redemption Amount shall become due and payable;
- (3) failure by the University to perform or observe any other of the covenants, agreements, or conditions on its part in the Bond Resolution or in the Bonds contained, and such default shall continue for a period of thirty (30) days after written notice thereof to the University by the Trustee

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specifying such failure and requiring the same to remedied, which period of thirty (30) days may not be extended by more than thirty (30) additional days without the prior written consent of all insurers of outstanding Bonds issued under the Resolution;

- (4) a judgment for the payment of money shall be rendered against the University, and any such judgment shall not be discharged within one hundred twenty (120) days of the entry thereof, or an appeal shall not be taken therefrom or from the order, decree of process upon which or pursuant to which such judgment shall have been granted or entered, in such manner as to set aside or stay the execution of or levy under such judgment, or order, decree or process or the enforcement thereof;
- (5) dissolution or liquidation of the University or the filing by the University of a voluntary petition in bankruptcy, or the commission by the University of any act of bankruptcy, or adjudication of the University as a bankrupt, or assignment by the University for the benefit of its creditors, or the entry by the University into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the University in any proceeding for its reorganization instituted under the provisions of the federal bankruptcy act, as amended, or under any similar act in any jurisdiction which may now be in effect or which may hereafter be enacted;
- (6) if an order or decree shall be entered, with the consent or acquiescence of the University, appointing a receiver or receivers of the Project, or any part thereof, or if such order or decree, having been entered without the consent and acquiescence of the University, shall not be vacated or discharged or stayed within ninety (90) days after the entry thereof; and
  - (7) any event of default specified in a Supplemental Resolution;

the Trustee (by thirty (30) days' written notice to the University), or the Registered Owners of not less than twenty five percent (25%) of the Bonds then Outstanding (by notice in writing to the University and the Trustee) may, but only with the consent of insurers, if any, of any Outstanding Bonds, provided the insurers are not in default under their respective policy, declare the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately upon the occurrence of an event of default, and upon any such declaration the same shall become and be immediately due and payable, anything in the Resolution or in the Bonds contained to the contrary notwithstanding.

Notwithstanding the foregoing, neither the Registered Owners of twenty-five percent (25%) of the Noninsured Bonds then Outstanding, nor the Owners of twenty-five percent (25%) of any series of Bonds then Outstanding, nor the Trustee, may declare any other series of Bonds immediately due and payable without the prior written consent of the relevant insurer of such series of Bonds.

#### Rights and Remedies of Registered Owners

- A. No Registered Owner of any Bond shall have any right to institute any proceeding, judicial or otherwise, with respect to the Resolution, or for the appointment of a receiver or trustee, or for any other remedy thereunder, unless
- (1) such Registered Owner has previously given written notice to the Trustee of a continuing Event of Default;
- (2) the Registered Owners of not less than twenty-five percent (25%) in principal amount of the Bonds shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee;

- (3) such Registered Owners have offered to the Trustee reasonable indemnity against the costs, expenses, and liabilities to be incurred in compliance with such request;
- (4) the Trustee for sixty (60) days after its receipt of such notice, request, and offer of indemnity has failed to institute any such proceedings; and
- (5) no direction inconsistent with such written request has been given to the Trustee during such sixty (60) day period by the Registered Owners of a majority in principal amount of the Bonds; it being understood and intended that no one or more Registered Owner of Bond shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Resolution to affect, disturb, or prejudice the rights of any other Registered Owner of Bonds, or to obtain or to seek to obtain priority or preference over any other Registered Owner, or to enforce any right under the Resolution, except in the manner provided and for the equal and ratable benefit of all the Registered Owners of Bonds.
- B. The Registered Owners of a majority in principal amount of the Outstanding Bonds shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, provided that:
  - (1) such direction shall not be in conflict with any rule of law or the Resolution,
- (2) the Trustee shall not determine that the action so directed would be unjustly prejudicial to the Registered Owners not taking part in such direction, and
- (3) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

#### **DEFEASANCE**

- A. If the University shall pay or cause to be paid, or there shall otherwise be paid, to the Registered Owners of all Bonds the principal of or redemption price, if applicable, and interest due or to become due thereon, if applicable, at the times and in the manner stipulated therein and in the Resolution, or such Bonds shall have been deemed to have been paid as provided in the Supplemental Resolution authorizing a Series of Bonds, then the pledge of any Pledged Revenues, and other moneys, securities and funds pledged under the Resolution and all covenants, agreements and other obligations of the University to the Registered Owners, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall cause an accounting for such period or periods as shall be requested by the University to be prepared and filed with the University and, upon the request of the University, shall execute and deliver to the University all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the University all moneys or securities held by it pursuant to the Resolution which are not required for the payment of principal or redemption price, if applicable, on Bonds.
- B. Bonds or interest installments the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit by the University of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in subsection (A) of this section. All Outstanding Bonds of any Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in subsection (A) of this section if (1) in case any of said Bonds are to be redeemed on any date prior to their maturity, the University shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail to the Registered Owners of such

Bonds, notice of redemption of such Bonds on said date, (2) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Investment Securities, as approved by insurers of any Outstanding Bonds, of the kind required in Section 12.1B of the Resolution the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or redemption price, as applicable, and interest due and to become due, if applicable, on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, without adversely affecting the tax-exempt status of the interest on said Bonds taxable under the Code, and (3) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the University shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, first class postage prepaid, a notice to the Registered Owners of such Bonds that the deposit required by (2) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or redemption price, as applicable, and interest due and to become due if applicable on said Bonds.

The 2007 Supplemental Resolution amended the defeasance provisions of the Resolution described in paragraph (B)(2) above to permit investment of escrowed funds in certain noncallable governmental obligations without consent of insurers of any Outstanding Bonds to such investment. This amendment requires consent of at least 60% of the Owners of the Outstanding Bonds and the insurance companies insuring all Outstanding Bonds. Prospective purchasers of the Series 2007 Bonds are deemed to have consented to this amendment to the Resolution by purchasing the Series 2007 Bonds and the Underwriter, as the initial purchaser of the Series 2007 Bonds, consented to such amendment on the date of issuance of the Series 2007 Bonds. The consent of the Series 2007 Bondholders will result in approximately \_\_\_\_% of the Bonds having consented to the such amendments. In addition, the Regents have obtained consents to this amendments from all insurance companies insuring Outstanding Bonds.

#### MUNICIPAL BOND INSURANCE

The scheduled payment of principal of and interest on the Series 2007 Bonds when due is guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2007 Bonds by the Insurer in accordance with the terms of the Policy. The Insurer's obligations are set forth in the Policy. The original Policy shall be on file with the Insurance Trustee (hereinafter defined). A copy of the Policy is on file with the Trustee and may be obtained from the Trustee or the Insurer. So long as the Series 2007 Bonds shall be insured under the Policy and so long as the Insurer shall not be in default under the Policy, the following provisions, and other provisions in the Policy referring to the Insurer, shall be in effect, and shall take precedence over any provision of the Resolution to the contrary.

- (a) The 2007 Insurer shall be deemed to be the sole Holder of the Series 2007 Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Holders of the Series 2007 Bonds are entitled to take pursuant to the Resolution.
- (b) The maturity of the Series 2007 Bonds shall not be accelerated without the consent of the 2007 Insurer and in the event the maturity of the Series 2007 Bonds is accelerated, the 2007 Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued, on such principal to the date of acceleration (to the extent unpaid by the University) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the 2007 Insurer's obligations under the 2007 Policy with respect to such Series 2007 Bonds shall be fully discharged.

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- (c) Any amendment, supplement, modification to, or waiver of, the Resolution or any other materially related transaction document, including any underlying security agreement (each a "Related Document"), that requires the consent of Owners or materially adversely affects the rights and interest of the 2007 Insurer shall be subject to the prior written consent of the 2007 Insurer.
- (d) The rights granted to the 2007 Insurer under the Resolution to request, consent to or direct any action are rights granted to the 2007 Insurer in consideration of its issuance of the 2007 Policy. Any exercise by the 2007 Insurer of such rights is merely an exercise of the 2007 Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Owners nor does such action evidence any position of the 2007 Insurer, positive or negative, as to whether Owner consent is required in addition to consent of the 2007 Insurer.
- (e) University shall pay or reimburse the 2007 Insurer any and all charges, fees, costs and expenses which the 2007 Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in the Resolution, (ii) the pursuit of any remedies under the Resolution or otherwise afforded by law or equity, or (iii) any litigation or other dispute in connection with the Resolution or the transactions contemplated thereby, other than amounts resulting from the failure of the 2007 Insurer to honor its obligations under the 2007 Policy. The 2007 Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Resolution.
- (f) The 2007 Insurer shall be entitled to pay principal or interest on the Series 2007 Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the University (as such terms are defined in the 2007 Policy) whether or not the 2007 Insurer has received a Notice of Nonpayment (as such terms are defined in the 2007 Policy) or a claim upon the 2007 Policy.
- (g) Amounts paid by the 2007 Insurer under the 2007 Policy shall not be deemed paid for purposes of the Resolution and any Series 2007 Bonds so paid shall remain Outstanding and continue to be due and owing until paid by the University in accordance with the Resolution. The 2007 Insurer shall, to the extent it makes any payment of principal of or interest on the Series 2007 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the 2007 Policy. The Resolution shall not be discharged unless all amounts due or to become due to the 2007 Insurer have been paid in full or duly provided for.
- (h) If, on the third Business Day prior to the related scheduled interest payment date or principal payment date ("Payment Date"), there is not on deposit with the Trustee, after making all transfers and deposits required under the Resolution, moneys sufficient to pay the principal of and interest on the Series 2007 Bonds due on such Payment Date, the Trustee shall make a claim under the 2007 Policy and give notice to the 2007 Insurer and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Series 2007 Bonds and the amount required to pay principal of the Series 2007 Bonds, confirmed in writing to the 2007 Insurer and the 2007 Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the 2007 Policy.
  - (i) The Trustee shall designate any portion of payment of principal on Series 2007 Bonds paid by the 2007 Insurer, whether by virtue of mandatory sinking fund

redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Series 2007 Bonds registered to the then current Series 2007 Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Series 2007 Bond to the 2007 Insurer, registered in the name of the 2007 Insurer in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Series 2007 Bond shall have no effect on the amount of principal or interest payable by the University on any Series 2007 Bond or the subrogation rights of the 2007 Insurer.

- (ii) The Trustee shall keep a complete and accurate record of all funds deposited by the 2007 Insurer into the Policy Payments Account (as hereinafter defined) and the allocation of such funds to payment of interest on the principal paid in respect to any Series 2007 Bond. The 2007 Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the University.
- Upon payment of a claim under the 2007 Policy the Trustee shall (iii) establish a separate special purpose trust account for the benefit of Bondholders referred to herein as the "Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the 2007 Policy in trust on behalf of Series 2007 Bondholders and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Series 2007 Bondholders in the same manner as principal and interest payments are to be made with respect to the Series 2007 Bonds under the sections hereof regarding payment of Series 2007 Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything herein to the contrary, and to the extent permitted by law, the University agrees to pay to the 2007 Insurer (i) a sum equal to the total of all amounts paid by the 2007 Insurer under the 2007 Policy (the "Insurer Advances"); and (ii) interest on such Insurer Advances from the date paid by the 2007 Insurer until payment thereof in full, payable to the 2007 Insurer at the Late Payment Rate per annum (collectively, the "Insurer Reimbursement Amounts"). "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Series 2007 Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days.
- (iv) Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee.
- (v) Any funds remaining in the Policy Payments Account following a Payment Date shall promptly be remitted to the 2007 Insurer.

- (i) The 2007 Insurer shall be provided with the following information (by the University with respect to items (i), (vi), (vii) and (viii) below, and by the Trustee with respect to items (ii) through (v) and (ix) below):
  - (i) Annual audited financial statements within 180 days after the end of the University's fiscal year (together with a certification of the University that it is not aware of any default or Event of Default under the Resolution), and the University's annual budget within 30 days after the approval thereof together with such other information, data or reports as the 2007 Insurer shall reasonably request from time to time;
  - (ii) Notice of any draw upon the Debt Service Reserve Fund within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Debt Service Reserve Requirement and (ii) withdrawals in connection with a refunding of the Series 2007 Bonds;
  - (iii) Notice of any default known to the Trustee within five Business Days after knowledge thereof;
  - (iv) Prior notice of the advance refunding or redemption of any of the Series 2007 Bonds including the principal amount, maturities and CUSIP numbers thereof;
  - (v) Notice of the resignation or removal of the Trustee and the appointment of, and acceptance of duties by, any successor thereto;
  - (vi) Notice of the commencement of any proceeding by or against the University commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");
  - (vii) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on the Series 2007 Bonds;
  - (viii) A full original transcript of all proceedings relating to the execution of any amendment or supplement to the Resolution (other than supplements in connection with the issuance of Additional Bonds); and
  - (ix) All reports, notices and correspondence to be delivered to Series 2007 Bondholders under the terms of the Resolution.
- (j) The Notice address of the 2007 Insurer is: Financial Security Assurance Inc., 31 West 52nd Street, New York, New York 10015, Attention: Managing Director Surveillance; re: Policy No. \_\_\_\_\_\_; Telephone: (212) 826-0100; Telecopier: (212) 339-3556, or such other notice address as the 2007 Insurer shall provide in writing to the Trustee and the University. In each case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED".
- (k) The 2007 Insurer shall be deemed to be a third party beneficiary to the Resolution.

- (l) To accomplish defeasance of the Series 2007 Bonds, the University must cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant ("Accountant") verifying the sufficiency of the escrow established to pay the Series 2007 Bonds in full on the maturity or redemption date ("Verification"), (ii) an escrow deposit agreement, and (iii) a certificate of discharge of the Trustee with respect to the Series 2007 Bonds; each verification shall be acceptable in form and substance, and addressed, to the University, the Trustee and the 2007 Insurer. The Series 2007 Bonds shall be deemed "Outstanding" under the Resolution unless they are in fact paid and retired or the above criteria are met. The University shall utilize its best efforts to provide the 2007 Insurer with final drafts of the above-referenced documentation not less than five business days prior to the funding of the escrow.
- (m) No grace period for a covenant default shall exceed 30 days or be extended for more than 60 days, without the prior written consent of the 2007 Insurer. No grace period shall be permitted for payment defaults.
- (n) The exercise of any provision of the Resolution which permits the purchase of Series 2007 Bonds in lieu of redemption shall require the prior written approval of the 2007 Insurer if any Series 2007 Bond so purchased is not cancelled upon purchase.
- (o) Unless the 2007 Insurer otherwise directs, upon the occurrence and continuance of an Event of Default or an event which with notice or lapse of time would constitute an Event of Default, amounts on deposit in the Series 2007 Construction Subaccount shall not be disbursed, but shall instead be applied to the payment of debt service or defeasance of the Series 2007 Bonds.
- (p) In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Resolution would adversely affect the security for the Series 2007 Bonds or the rights of the Bondholders, the Trustee shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no 2007 Policy.

#### APPENDIX E

#### DEPOSITORY TRUST COMPANY INFORMATION

The following information concerning DTC and DTC's book-entry-only system has been extracted from a schedule prepared by DTC entitled "SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE," a source that the Regents, the University and the Underwriter believe to be reliable, but the Regents, the University and the Underwriter take no responsibility for the accuracy thereof. The contents of the DTC website referenced below are not incorporated in this Official Statement by such reference.

DTC will act as securities depository for the Series 2007 Bonds. The Series 2007 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each of the Series 2007 Bonds, as set forth on the cover page hereof, each in the aggregate principal amount of each maturity of the Series 2007 Bonds and deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over two million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: "AAA." The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2007 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2007 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2007 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2007 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will

not receive certificates representing their ownership interests in the Series 2007 Bonds, except in the event that use of the book-entry system for the Series 2007 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2007 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2007 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of Series 2007 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2007 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants remain responsible for keeping accounts of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2007 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2007 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2007 Bond documents. For example, Beneficial Owners of the Series 2007 Bonds may wish to ascertain that the nominee holding the Series 2007 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2007 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2007 Bonds unless authorized by a Direct Participant on accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Regents as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2007 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2007 Bonds are to be made to Cede & Co., or such other name as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Regents or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners are governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or its nominee, the Paying Agent or the Regents, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other name as may be requested by an authorized representative of DTC) is the responsibility of the Regents or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2007 Bonds at any time by giving reasonable notice to the Regents or the Paying Agent. Under such

## **ATTACHMENT 3**

circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

The Regents may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC. According to DTC, the foregoing information with respect to DTC has been provided to the industry for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

# **ATTACHMENT 3**

# APPENDIX F MUNICIPAL BOND INSURANCE POLICY

#### **APPENDIX G-1**

#### CERTAIN TERMS OF THE INITIAL LIQUIDITY FACILITY

The Standby Bond Purchase Agreement, dated as of October 1, 2007 (the "Series 2007A Initial Liquidity Facility"), between the Regents and the Initial Liquidity Provider with respect to the Series 2007A Bonds and the Standby Bond Purchase Agreement, dated as of October 1, 2007 (the "Series 2007B Initial Liquidity Facility" and together with the Series 2007A Initial Liquidity Facility, each an "Initial Liquidity Facility"), between the Regents and the Initial Liquidity Provider with respect to the Series 2007B Bonds contain various provisions, covenants and conditions, certain of which are summarized below.

Various words or terms used in the following summary are defined in this Official Statement, the Initial Liquidity Facility or the Resolution, and reference thereto is made for full understanding of their import. The following summary describes each Initial Liquidity Facility and references therein to the "Series 2007[A]/[B] Bonds" shall mean the Series 2007A Bonds or the Series 2007B, as applicable, as the context requires.

**Definitions.** The Initial Liquidity Facility supports the Series 2007[A]/[B] Bonds. As used herein, the following defined terms shall have the following meanings:

"Available Commitment" means on any day the sum of the Available Principal Commitment and the Available Interest Commitment on such day.

"Available Principal Commitment" initially means \$\_\_\_\_\_\_\_\_,\* constituting the principal amount of the Series 2007[A]/[B] Bonds, and thereafter means such amount adjusted from time to time as follows: (a) downward by the amount of any reduction of the Available Principal Commitment pursuant to any optional reduction of the Available Commitment; (b) downward by the principal amount of any Series 2007[A]/[B] Bonds purchased by the Initial Liquidity Facility Provider pursuant to the Initial

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<sup>\*</sup> Preliminary, subjet to change.

Liquidity Facility; and (c) upward by the principal amount of any Series 2007[A]/[B] Bonds theretofore purchased by the Initial Liquidity Facility Provider pursuant to the Initial Liquidity Facility that are resold by a Purchased Series 2007[A]/[B] Bondholder pursuant to the Initial Liquidity Facility or which are retained by a Purchased Series 2007[A]/[B] Bondholder and cease to bear interest at the Purchased Series 2007[A]/[B] Bond Rate pursuant to the Initial Liquidity Facility; *provided* that after giving effect to such adjustments the Available Principal Commitment shall never exceed \$[Par Amount]. Any adjustments pursuant to clauses (a), (b) and (c) above shall occur simultaneously with the event requiring such adjustment.

"Eligible Series 2007[A]/[B] Bonds" means any Series 2007[A]/[B] Bond other than Series 2007[A]/[B] Bonds owned by, for the account of, or on behalf of, the Issuer, and excludes, in any event, Purchased Series 2007[A]/[B] Bonds and Series 2007[A]/[B] Bonds that have been removed from coverage under the Initial Liquidity Facility by redemption, defeasance or substitution of an Alternate Liquidity Facility.

"Insurer Event of Insolvency" means the occurrence and continuance of one or more of the following events: (a) the issuance, under Article 74 of the Insurance Law of New York or any successor provision thereof (or any other law to which the Insurer is at the time subject), of an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution of the Insurer that is not dismissed within 90 days; (b) the commencement by the Insurer of a voluntary case or other proceeding seeking an order for relief, liquidation, supervision, rehabilitation, conservation, reorganization or dissolution with respect to itself or its debts under the laws of the state of incorporation or formation of the Insurer or any bankruptcy, insolvency or other similar law now or hereafter in effect including, without limitation, the appointment of a trustee, receiver, liquidator, conservator, custodian or other similar official for itself or any substantial part of its property; (c) the consent of the Insurer to any relief referred to in the preceding clause (b) in an involuntary case or other proceeding commenced against it; (d) the making by the Insurer of an assignment for the benefit of creditors; (e) the failure of the Insurer generally to pay its debts or claims as they become due; provided that any failure by the Insurer to make payment on any municipal bond insurance policy (i) that is being contested in good faith or (ii) with respect to which 30 days have not elapsed, shall not constitute a failure by the Insurer generally to pay its debts or claims as they become due; or (f) the initiation by the Insurer of any actions to authorize any of the foregoing.

"Non-Covered Interest Rate" means the Purchased Series 2007[A]/[B] Bond Rate or a Term Interest Rate on the Series 2007[A]/[B] Bonds fixed to maturity.

"Permitted Minimum Insurer Ratings" means a financial strength rating by Moody's of "Aa3" (or its equivalent) or higher, by S&P of "AA-" (or its equivalent) or higher and by Fitch of "AA-" (or its equivalent) or higher.

"Purchase Period" means the period from the Effective Date to and including 5:00 p.m. on the earliest to occur of (a) the Stated Expiration Date, (b) the date of receipt by the Initial Liquidity Facility Provider of a certificate signed by the Trustee stating that the Initial Liquidity Facility has been terminated pursuant to the terms of the Resolution because (i) an Alternate Liquidity Facility has been provided and become effective under the Resolution, provided that the Initial Liquidity Facility shall not terminate until the Initial Liquidity Facility Provider has purchased any Series 2007[A]/[B] Bonds required to be purchased pursuant to any mandatory tender resulting from the provision of any Alternate Liquidity Facility, (ii) no Series 2007[A]/[B] Bonds remain Outstanding under the Resolution or (iii) all of the Series 2007[A]/[B] Bonds have been converted to a Non-Covered Interest Rate, (c) the date specified in a written notice delivered by the Regents to the Initial Liquidity Facility Provider that the Regents has elected to terminate the Initial Liquidity Facility as permitted by the terms of the Initial Liquidity Facility, or (d) the Purchase Termination Date.

"Purchase Termination Date" means the date on which the Initial Liquidity Provider is no longer required to purchase Tendered Series 2007[A]/[B] Bonds as described in paragraph (A), (B), (C) or (D) under "Consequences and Remedies".

"Purchased Series 2007[A]/[B] Bond Rate" means the interest rate applicable from time to time to Purchased Series 2007[A]/[B] Bonds, as specified in the Initial Liquidity Facility.

"Related Documents" means the Initial Liquidity Facility, the Resolution, the Series 2007 Bonds, the Series 2007[A]/[B] Initial Liquidity Facility, the Insurance Policy, the Bond Purchase Agreement, the Official Statement, the Remarketing Agreement, any authorizing resolutions of the Regents, and any exhibits, instruments or agreements relating thereto, as the same may be amended from time to time in accordance with their respective terms and the terms hereof.

"Stated Expiration Date" means 5:00 p.m. on the later of (a) October [\_\_], 2019, or (b) the last day of any extension of such date pursuant to the Initial Liquidity Facility; provided, however, that if the date specified in (a) or (b), as applicable, is not a Business Day, "Stated Expiration Date" shall mean the next preceding Business Day.

"<u>Tendered Series 2007 Bonds</u>" means, as of any date, Eligible Series 2007[A]/[B] Bonds that are tendered, or deemed tendered, for purchase pursuant to the Resolution.

Commitment to Purchase Series 2007[A]/[B] Bonds. Pursuant to the Initial Liquidity Facility, the Initial Liquidity Facility Provider agrees, on the terms and subject to the satisfaction of the conditions contained in the Initial Liquidity Facility, to purchase Eligible Series 2007[A]/[B] Bonds which are tendered or deemed tendered for purchase pursuant to the Resolution for which there are not sufficient remarketing proceeds available for such purchase, for the Initial Liquidity Facility Provider's own account, from time to time during the Purchase Period at the Purchase Price. The aggregate principal amount (or portion thereof) of any Series 2007[A]/[B] Bond purchased by the Initial Liquidity Facility Provider on any Purchase Date shall be an authorized denomination applicable to Eligible Series 2007[A]/[B] Bonds pursuant to the Resolution, and the aggregate principal amount of all Series 2007[A]/[B] Bonds purchased on any Purchase Date shall not exceed the Available Principal Commitment on such date. The aggregate amount of the portion of the Purchase Price comprising interest on the Series 2007[A]/[B] Bonds (the "Interest Component") purchased on any Purchase Date shall not exceed the lesser of (i) the Available Interest Commitment on such date or (ii) the actual aggregate amount of interest accrued on each such Series 2007[A]/[B] Bond, other than defaulted interest, to such Purchase Date; provided, however, that in the event the Purchase Date is also an Interest Payment Date for the Series 2007[A]/[B] Bonds to be purchased, no accrued interest on such Series 2007[A]/[B] Bonds shall be included in the Purchase Price. The Initial Liquidity Facility Provider's commitment under the Initial Liquidity Facility is limited to the purchase of Tendered Series 2007[A]/[B] Bonds, and does not guarantee the payment of principal of or interest on the Series 2007[A]/[B] Bonds.

**Conditions Precedent to Purchase**. The obligation of the Initial Liquidity Provider to purchase Series 2007[A]/[B] Bonds on any date is subject to the satisfaction of the following conditions, unless waived in writing by the Initial Liquidity Provider:

(x) No Termination Event. No Event of Termination specified in paragraphs (a), (b), (c) or (d) below or Potential Event of Termination shall have occurred and be continuing or, with respect to a suspension in accordance with paragraph (C) under "Consequences and Remedies" below, the Available Commitment shall have been reinstated upon a finding or ruling by a court with jurisdiction, that the Insurance Policy is valid and binding on the Insurer; and

(y) Notice of Purchase. The Initial Liquidity Provider shall have timely received on the Business Day on which Series 2007[A]/[B] Bonds are to be purchased, a specified notice of purchase as provided in the Initial Liquidity Facility; provided that if such notice of purchase is received after the designated deadline on a Business Day, the Initial Liquidity Provider will be obligated to purchase Eligible Series 2007[A]/[B] Bonds on the Business Day following receipt thereof, and provided further that if such notice of purchase is received before the end of the Purchase Period, the end of the Purchase Period shall not, in and of itself, relieve the Initial Liquidity Provider of its obligation to purchase Series 2007[A]/[B] Bonds.

**Events of Termination.** Each of the following shall constitute an "Event of Termination" under the Initial Liquidity Facility:

- (a) Non Payment of Insured Amounts. Any principal or interest due on the Series 2007[A]/[B] Bonds is not paid when due and such principal or interest is not paid by the Insurer when, as, and in the amounts required to be paid pursuant to the terms of the Insurance Policy; or
- (b) <u>Invalidity or Contest of Validity of Insurance Policy</u>. The Insurer shall in writing to the Trustee claim that the Insurance Policy with respect to the payment of principal of or interest on the Series 2007[A]/[B] Bonds is not valid and binding on the Insurer, and repudiate the obligations of the Insurer under the Insurance Policy with respect to payment of principal of or interest on the Series 2007[A]/[B] Bonds, or the Insurer shall initiate any legal proceedings to seek an adjudication that the Insurance Policy, with respect to the payment of principal, interest, or the special redemption of the Series 2007[A]/[B] Bonds pursuant to the Initial Liquidity Facility, is not valid and binding on the Insurer, or any court or governmental authority with jurisdiction to rule on the validity of the Insurance Policy shall announce, find or rule that the Insurance Policy is not valid and binding on the Insurer; or
- (c) <u>Insurer Insolvency; Insurer Downgrade Below Investment Grade</u>. Either (i) the occurrence of an Insurer Event of Insolvency, or (ii) each of Moody's, S&P, and Fitch withdraw or suspend the financial strength rating of the Insurer or reduce such rating, in the case of S&P, below "BBB-", in the case of Moody's, below "Baa3," and in the case of Fitch, below "BBB-"; or
- (d) <u>Insurer Default on other Policies</u>. Any default by the Insurer in making payment when, as and in the amounts required to be made pursuant to the express terms and provisions of any other bond insurance policy issued by the Insurer insuring publicly rated bonds and such failure shall continue for seven (7) days unless the obligation of the Insurer to pay is being contested by the Insurer in good faith by appropriate proceedings; or
- (e) <u>Permitted Minimum Insurer Ratings</u>. The Insurer shall fail to maintain the Permitted Minimum Insurer Ratings for a period of 30 consecutive days.

**Events of Default**. Each of the following shall constitute an "Event of Default" under the Initial Liquidity Facility:

- (i) <u>Misrepresentation</u>. Any material representation or warranty made by the Regents under or in connection with the Initial Liquidity Facility shall prove to be untrue in any material respect on the date as of which it was made; or
- (ii) <u>Non Payment of Fees.</u> Non payment of any amounts payable under the Initial Liquidity Facility (together with interest thereon at the specified default rate) within ten days after the Trustee, the Insurer and the Regents have received written notice from the Initial Liquidity Facility Provider that the same were not paid when due; or

- (iii) Other Non Payments. Non payment of any other fees or amounts payable under the Initial Liquidity Facility (together with interest thereon at the specified default rate) within 20 days after written notice thereof to the Regents, Trustee and the Insurer by the Initial Liquidity Facility Provider; or
- (iv) <u>Certain Breaches</u>. The breach by the Regents of any of the terms or provisions of certain covenants in the Initial Liquidity Facility; or
- (v) Other Breaches. The breach by the Regents of any terms or provisions of the Initial Liquidity Facility for which no cure period is otherwise specifically provided with respect thereto which is not remedied within 30 days after written notice thereof from the Initial Liquidity Facility Provider shall have been received by the Regents and the Insurer; or

## (vi) <u>Insolvency</u>.

- (1) The Regents shall commence any case, proceeding or other action under any existing or future law of any jurisdiction, domestic or foreign, (A) relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition or other relief with respect to it or its debts, (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or the Regents shall make a general assignment for the benefit of its creditors; or
- (2) There shall be commenced against the Regents any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in an order for such relief or in the appointment of a receiver or similar official or (B) remains undismissed, undischarged or unbonded for a period of 60 days; or
- (3) There shall be commenced against the Regents any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets, which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or
- (4) The Regents shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or
- (5) The Regents shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts.
- (vii) <u>Invalidity</u>. Any material provision of the Initial Liquidity Facility or any Related Document (other than the Insurance Policy) shall at any time for any reason cease to be valid and binding on the Regents or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the Regents or by any governmental authority having jurisdiction, or the Regents shall deny that it has any further liability or obligation under any such document, or such document is cancelled or terminated without the Initial Liquidity Facility Provider's prior written consent; or
- (viii) <u>Cross Default</u>. The occurrence of any "event of default" as defined in any of the Related Documents (which is not waived pursuant to the terms thereof) which is not otherwise an Event of Default specified in paragraphs (i)-(vii) or (ix) hereof, other than the failure of the Initial Liquidity Facility Provider to provide funds for the purchase of Tendered Series 2007[A]/[B] Bonds when required

by the terms and conditions of the Initial Liquidity Facility; or

(ix) Other Debt. The Regents shall have defaulted in the payment or performance of any obligation of a principal amount of \$5,000,000 or more that constitutes debt, and such default permits the acceleration of the payment of moneys.

**Consequences and Remedies.** If any Event of Termination or Event of Default shall have occurred and be continuing:

- (A) <u>Immediate Termination</u>. In the case of an Event of Termination specified in paragraph (a), (c) or (d) above, the Available Commitment and Purchase Period and the obligation of the Initial Liquidity Facility Provider to purchase Series 2007[A]/[B] Bonds shall immediately terminate without notice or demand (a "Termination Event"), and thereafter the Initial Liquidity Facility Provider shall be under no obligation to purchase Series 2007[A]/[B] Bonds.
- (B) Termination with Notice. In the case of an Event of Termination specified in paragraph (e) above or an Event of Default specified in paragraph (ii), (iii), (iv) (as it relates to a certain covenant in the Initial Liquidity Facility), (vi), (vii), or (x) above, the Initial Liquidity Facility Provider may terminate the Available Commitment and Purchase Period by giving written notice to the Trustee, the Regents, the Remarketing Agent and the Insurer, specifying the date on which the Available Commitment and Purchase Period shall terminate (a "Notice of Termination"), which date, the Purchase Termination Date, shall be not less than 30 days from the date of receipt of such notice by the Trustee. On and after the Purchase Termination Date, the Initial Liquidity Facility Provider shall be under no further obligation to purchase Series 2007[A]/[B] Bonds hereunder.
- Suspension relating to Insurance Policy. In the case of an Event of Termination specified in paragraph (b) above, the Initial Liquidity Facility Provider's obligations to purchase Series 2007[A]/[B] Bonds shall be immediately suspended without notice or demand and thereafter the Initial Liquidity Facility Provider shall be under no obligation to purchase until the Available Commitment is reinstated as described in this paragraph (C). Promptly upon the Initial Liquidity Facility Provider obtaining knowledge of any such Event of Termination specified in paragraph (b) above, the Initial Liquidity Facility Provider shall give written notice of the same to the Regents, the Trustee, the Remarketing Agent and the Insurer of such suspension; provided, that the Initial Liquidity Facility Provider shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of the Initial Liquidity Facility Provider's obligations to purchase Series 2007[A]/[B] Bonds. If a court with jurisdiction to rule on the validity of the Insurance Policy shall thereafter enter a final, non appealable judgment that the Insurance Policy is not valid and binding on the Insurer, then the Initial Liquidity Facility Provider's obligation to purchase Series 2007[A]/[B] Bonds shall immediately terminate. If a court with jurisdiction to rule on the validity of the Insurance Policy shall find or rule that the Insurance Policy is valid and binding on the Insurer, the Initial Liquidity Facility Provider's obligations to purchase Series 2007[A]/[B] Bonds under the Initial Liquidity Facility shall be automatically reinstated and the terms of the Initial Liquidity Facility will continue in full force and effect (unless the Initial Liquidity Facility shall otherwise have terminated or been suspended by its terms or in accordance with paragraph (A), (B) or (D) under this section "Consequences and Remedies"). Notwithstanding the foregoing, if, upon the earlier of the Stated Expiration Date or the date which is three years after the effective date of suspension of the Initial Liquidity Facility Provider's obligations pursuant to this paragraph (C), litigation is still pending and a judgment regarding the validity of the Insurance Policy as is the subject of such Event of Termination has not been obtained, then the Available Commitment and the obligation of the Initial Liquidity Facility Provider to purchase Series 2007[A]/[B] Bonds shall at such time immediately terminate, and thereafter the Initial Liquidity Facility Provider shall be under no obligation to purchase Series 2007[A]/[B] Bonds.

- Other Suspensions. During the pendency of an Event of Termination specified in paragraph (c) above (with respect to an order described in clause (a) of the definition of Insurer Event of Insolvency) or paragraph (d) above (prior to the expiration of the 30 day period specified in an Event of Termination specified in paragraph (d) above) (each a "Potential Event of Termination"), the Initial Liquidity Facility Provider's obligations to purchase Series 2007[A]/[B] Bonds shall be immediately suspended without notice or demand and thereafter the Initial Liquidity Facility Provider shall be under no obligation to purchase Series 2007[A]/[B] Bonds until the Available Commitment is reinstated as described in this paragraph (D). Promptly upon the Initial Liquidity Facility Provider obtaining knowledge of any such Potential Event of Termination, the Initial Liquidity Facility Provider shall give written notice of the same to the Regents, the Trustee, the Remarketing Agent and the Insurer of such suspension; provided, however, that the Initial Liquidity Facility Provider shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of the Initial Liquidity Facility Provider's obligations under the Initial Liquidity Facility. In the event such Potential Event of Termination is cured prior to becoming a Termination Event, the Initial Liquidity Facility Provider's obligations shall be automatically reinstated and the terms of the Initial Liquidity Facility will continue in full force and effect (unless the Initial Liquidity Facility shall otherwise have terminated or been suspended by its terms or in accordance with paragraph (A), (B) or (C) under this section "Consequences and Remedies").
- Other Remedies. In addition to the rights and remedies set forth in paragraphs (A), (B), (E) C) and (D) under this section "Consequences and Remedies", in the case of any Event of Termination or in the case of any Event of Default, upon the election of the Initial Liquidity Facility Provider: (i) all amounts payable hereunder (other than payments of principal and redemption price of and interest on the Series 2007[A]/[B] Bonds or payments of certain Excess Series 2007[A]/[B] Bond Interest) shall upon notice to the Regents become immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Regents; and (ii) the Initial Liquidity Facility Provider shall have all the rights and remedies available to it under the Initial Liquidity Facility, the Related Documents, the Insurance Policy or otherwise pursuant to law or equity; provided, however, that the Initial Liquidity Facility Provider shall not have the right to terminate its obligation to purchase Series 2007[A]/[B] Bonds or to declare any amount due hereunder due and payable except as expressly provided herein, or to accelerate the maturity date of any Series 2007[A]/[B] Bonds except as provided in the Resolution. Without limiting the generality of the foregoing, the Initial Liquidity Facility Provider agrees to purchase Series 2007[A]/[B] Bonds on the terms and conditions of the Initial Liquidity Facility notwithstanding the institution or pendency of any bankruptcy, insolvency or similar proceeding with respect to the Regents. The Initial Liquidity Facility Provider will not assert as a defense to its obligation to purchase Series 2007[A]/[B] Bonds under the Initial Liquidity Facility (x) the institution or pendency of a bankruptcy, insolvency or similar proceeding with respect to the Regents, or (y) a determination by a court of competent jurisdiction in a bankruptcy, insolvency or similar proceeding with respect to the Regents that the Initial Liquidity Facility is not enforceable against the Regents under applicable bankruptcy, insolvency or similar laws. This paragraph (E) shall not limit the exercise of the Initial Liquidity Facility Provider's remedies expressly provided for under any other paragraph under this section "Consequences and Remedies".

#### **APPENDIX G-2**

#### THE INITIAL LIQUIDITY FACILITY PROVIDER

The information below relates to and has been provided by Dexia Credit Local for use in this Official Statement. Such information has not been independently verified by the Regents, University or their counsel. This information is not guaranteed as to accuracy or completeness by the Regents or the University and is not to be construed as a representation by the Regents or the University.

Dexia Credit Local ("**Dexia**") is a subsidiary of the Dexia Group, which was created in 1996. The Dexia Group is a major European banking organization that is the product of several cross-border mergers. Dexia is an authentically European bank in terms of both its management organization and the scope of its different lines of business. The Dexia Group is listed on the Brussels, Paris and Luxembourg stock exchanges. With a stock market capitalization of over 24 billion euros as of December 31, 2006, the Dexia Group ranks in the top third of the Euronext 100 companies.

Dexia specializes in the Dexia Group's first line of business – public and project finance and financial services for the public sector. Dexia has recognized expertise in local public sector financing and project finance. It is backed by a network of specialized banks, which employ over 3,500 professionals. Through this network of subsidiaries, affiliates and branches, Dexia is present in almost all of the countries of the European Union as well as Central Europe, the United States of America and Canada. Dexia also has operations in Latin America, the Asian-Pacific Region including Australia, and the countries around the Mediterranean.

Dexia is a bank with its principal office located in Paris, France. In issuing the facility, Dexia will act through its New York Branch, which is licensed by the Banking Department of the State of New York as an unincorporated branch of Dexia Credit Local, Paris. Dexia is the leading local authority lender in Europe, funding its lending activities in 2006 primarily through the issuance of euro and U.S. dollar-denominated bonds. In 2006, total funding raised by Dexia and Dexia Municipal Agency was 15.7 billion euros.

The Dexia Group is the owner of Financial Security Assurance Holdings Ltd. ("**FSA Holdings**"), the holding company for Financial Security Assurance Inc., a leading financial guaranty insurer.

As of December 31, 2006, Dexia had total consolidated assets of 304 billion euros, outstanding medium and long-term loans to customers of 241 billion euros and shareholders' equity of over 7.98 billion euros (Tier I plus Tier II), and for the year then ended had consolidated net income of 1.082 billion euros. These figures were determined in accordance with generally accepted accounting principles in France. Dexia maintains its records and prepares its financial statements in euros. At December 31, 2006, the exchange rate was 1.0000 euro equals 1.317 United States dollar. Such exchange rate fluctuates from time to time.

Dexia is rated Aa1 long-term and P-1 short-term by Moody's, AA long-term and A-1+ short-term by S&P, and AA+ long-term and F1+ short-term by Fitch.

Dexia will provide without charge a copy of its most recent publicly available annual report. Written requests should be directed to: Dexia Credit Local, New York Branch, 445 Park Avenue, 7th Floor, New York, New York 10022, Attention: General Manager. The delivery of this information shall not create any implication that the information contained or referred to herein is correct as of any time subsequent to its date.

#### APPENDIX H

#### OPINION OF CO-BOND COUNSEL

[Skinner Fawcett Letterhead]	[Ballard Spahr Letterhead]
	<del></del>
Regents of the University of Idaho Moscow, Idaho	

Re: The Regents of the University of Idaho, Adjustable Rate General Revenue Refunding Bonds, Series 2007A and Adjustable Rate General Revenue Bonds, Series 2007B

Our services as co-bond counsel have been limited to the preparation of the legal proceedings and supporting certificates authorizing the issuance of the Series 2007 Bonds under the applicable laws of the State of Idaho and to a review of the transcript of such proceedings and certificates. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation. Our examination has been limited to the foregoing as they exist or are in effect as of the date hereof. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

The Internal Revenue Code of 1986, as amended (the "Code), contains a number of requirements and restrictions which apply to the Series 2007 Bonds. The Regents have covenanted to comply with all such requirements and restrictions. Failure to comply with certain of such requirements and restrictions may cause interest on the Series 2007 Bonds to become includible in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2007 Bonds. We have assumed, without undertaking to determine or confirm, continuing compliance by the Regents with such requirements and restrictions in rendering our opinion regarding the tax-exempt status of interest on the Series 2007 Bonds.

Based on our examination and the foregoing, we are of the opinion as of the date hereof and under existing laws as follows:

- 1. The Resolution has been duly adopted by the Regents and constitutes a valid and binding obligation of the Regents enforceable upon the Regents.
- 2. The Resolution creates a valid lien on the amounts pledged thereunder for the security of the Series 2007 Bonds.
- 3. The Series 2007 Bonds are valid and binding limited obligations of the Regents, payable solely from the Pledged Revenues and other amounts pledged therefor under the Resolution.
- 4. Based on an analysis of currently existing laws, regulations, decisions and interpretations, interest on the Series 2007 Bonds is excludable from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations, but such interest is included in earnings and profits in computing the federal alternative minimum tax imposed on certain corporations.
  - 5. Interest on the Series 2007 Bonds is exempt from State of Idaho income taxes.

In rendering our opinion, we wish to advise you that:

- (i) The rights of the Owners of the Series 2007 Bonds and the enforceability thereof and of the Resolution may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases;
- (ii) We express no opinion herein as to the accuracy, adequacy, or completeness of the Official Statement or any other offering material relating to the Series 2007 Bonds; and
- (iii) Although we have rendered an opinion that interest on the Series 2007 Bonds is excludable from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2007 Bonds may otherwise affect a Bondholder's tax liability. The nature and extent of these other tax consequences will depend upon the Bondholder's particular tax status and the Bondholder's other items of income or deduction. We express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2007 Bonds.

Respectfully submitted,

# BUSINESS AFFAIRS AND HUMAN RESOURCES OCTOBER 11-12, 2007

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## THE REGENTS OF THE UNIVERSITY OF IDAHO

Supplemental Resolution Authorizing the
Issuance and Sale of
up to \$70,000,000
Adjustable Rate General Revenue Refunding Bonds
Series 2007A
and
up to \$40,000,000
Adjustable Rate General Revenue Bonds
Series 2007B

Adopted October 11, 2007

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#### SUPPLEMENTAL RESOLUTION

A SUPPLEMENTAL RESOLUTION of the Regents of the University of Idaho authorizing the issuance and sale of (i) Adjustable Rate General Revenue Refunding Bonds, Series 2007A, in the principal amount of up to \$70,000,000 (the "Series 2007A Bonds") and (ii) Adjustable Rate General Revenue Bonds, Series 2007B, in the principal amount of up to \$40,000,000 (the "Series 2007B Bonds" and collectively with the Series 2007A Bonds, the "Series 2007 Bonds"), authorizing the execution and delivery of a Bond Purchase Agreement and providing for other matters relating to the authorization, issuance, sale and payment of the Series 2007 Bonds.

WHEREAS, the University of Idaho (the "University") is a state institution of higher education and body politic and corporate organized and existing under and pursuant to the Constitution and laws of the State of Idaho; and

WHEREAS, the Regents of the University of Idaho (the "Regents") are authorized, pursuant to the Educational Institutions Act of 1935, the same being Chapter 38, Title 33, Idaho Code (the "Act"), and the Constitution of the State of Idaho, to issue bonds for "projects" as defined in said Act; and

WHEREAS, the Regents are authorized pursuant to said Act and pursuant to Title 57, Chapter 5, Idaho Code, to issue refunding bonds and bonds for "projects" as defined in said Act; and

WHEREAS, on November 22, 1991, the Regents adopted a Resolution, which has been subsequently amended and supplemented (as so amended and supplemented, the "Resolution" or "Bond Resolution") relating to the issuance and sale of \$6,000,000 Facility Revenue Bonds, Series 1992A (the "Series 1992A Bonds"), and providing among other things for the issuance of additional bonds for future projects or refunding purposes (the "Additional Bonds"), with payment of the Series 1992A Bonds and any Additional Bonds secured by Pledged Revenues (as defined in the Resolution);

WHEREAS, the University is authorized under the provisions of Article VII of the Resolution to issue series of Additional Bonds upon compliance with the requirements of Section 7.2 of the Resolution;

WHEREAS, on January 25, 1999, the Regents adopted a resolution supplementing the Resolution and providing for the issuance and sale of \$1,470,000 Student Fee Revenue Bonds, Series 1999A (the "Series 1999A Bonds") as Additional Bonds thereunder;

WHEREAS, on June 18, 1999, the Regents adopted a resolution supplementing the Resolution and providing for the issuance and sale of \$6,150,000 Student Fee Revenue Bonds (Sweet Avenue and University Campus Improvement Projects), Series 1999B (the "Series 1999B Bonds") as Additional Bonds thereunder;

WHEREAS, on November 18, 1999 the Regents adopted a resolution supplementing the Resolution and providing for the issuance and sale of \$6,305,000

Student Fee Revenue Bonds, Series 1999C (University Infrastructure and Facilities Improvement Projects) (the "Series 1999C Bonds") as Additional Bonds thereunder;

WHEREAS, on September 20, 2001, the Regents adopted a resolution supplementing the Resolution and providing for the issuance and sale of \$40,930,000 Student Fee Revenue Bonds, Series 2001 (University Housing Improvement Projects) (the "Series 2001 Bonds") as Additional Bonds thereunder;

WHEREAS, on January 24, 2005, the Regents adopted a resolution (the "2005A Supplemental Resolution") supplementing the Resolution and providing for the issuance and sale of \$30,740,000 General Revenue Refunding Bonds, Series 2005A (the "Series 2005A Bonds") as Additional Bonds thereunder;

WHEREAS, in addition to the bonds issued under the Resolution, the Regents have issued bonds pursuant to a resolution adopted on January 25, 1999, providing for the issuance and sale of \$20,115,000 Student Fee Revenue Bonds (Recreation Center Project), Series 1999 (the "Recreation Center Bonds");

WHEREAS, in conjunction with the authorization of the issuance of the Series 2005A Bonds, the Regents created a single revenue bond system (the "General Revenue Bond System") under the Resolution under which the Series 2005A Bonds were issued and Additional Bonds of the University (including the Series 2007 Bonds) may be issued and to enhance the security and source of payment of the Series 2005A Bonds and such Additional Bonds; and

WHEREAS, the Regents have determined that certain of the Recreation Center Bonds, Series 1999A Bonds, Series 1999B Bonds and Series 2001 Bonds as more fully described herein (collectively, the "Refunded Bonds") can be refunded in accordance with the Act, and to achieve savings and other objectives that the Regents find to be beneficial to the University in accordance with Title 57, chapter 5, Idaho Code;

WHEREAS, the Regents have determined that certain electrical equipment upgrades and capital maintenance on, and replacement of, portions of the University's utility corridor, central steam plant and central chiller and related improvements (collectively, the "Series 2007B Project") can be financed as a "project" in accordance with the Act;

WHEREAS, in order to refund the Refunded Bonds and finance the Series 2007B Project, the Regents desire to issue the Series 2007 Bonds;

WHEREAS, the Regents propose to issue the Series 2007 Bonds provided that the initial owners of the Series 2007 Bonds shall be deemed to give their consent to the adoption of certain Amendments (as defined in the 2005A Supplemental Resolution) and 2007 Amendments (as defined herein) upon the purchase of the Series 2007 Bonds;

NOW, THEREFORE, BE IT RESOLVED BY THE REGENTS OF THE UNIVERSITY OF IDAHO AS FOLLOWS:

#### ARTICLE I

#### **DEFINITIONS**

## Section 1.1 Definitions.

- (a) Except as provided in subparagraph (b) of this Section, all defined terms contained in this Supplemental Resolution shall have the same meanings as set forth in the Resolution.
- (b) As used in this Supplemental Resolution, unless the context shall otherwise require, the following terms shall have the following meanings:
- "2005A Supplemental Resolution" means the Supplemental Resolution adopted by the Regents on January 24, 2005.
- "2007 Amendments" means the amendments and clarifications to the Resolution as described in Article VII of this Supplemental Resolution.
- "2007 Insurer" means Financial Security Assurance Inc., a New York insurance company, or any successor thereto or assignee thereof, as issuer of the 2007 Policy.
- "2007 Policy" means the insurance policy issued by the 2007 Insurer guaranteeing the scheduled payment of principal of and interest on the Series 2007 Bonds when due.
- "Alternate Liquidity Facility" means a liquidity facility, provided by the University with respect to one or both series of the Series 2007 Bonds pursuant to Section 3.6 herein.
- "Approving Opinion" means an Opinion of Counsel to the effect that an action being taken is authorized by the applicable provisions of the Resolution and will not adversely affect the tax-exempt status of interest on the Series 2007 Bonds.
- "Authorized Denomination" means (i) during any Weekly Rate Period or Term Interest Rate Period of less than one year, \$100,000 or any multiple of \$5,000 in excess thereof; and (ii) during any Term Interest Rate Period of one year or more, \$5,000 or any integral multiple thereof.
- "Bond Purchase Agreement" means the Bond Purchase Agreement between the Regents and the Underwriter pursuant to which the Series 2007 Bonds are to be sold.
- "Business Day" means, with respect to the Series 2007 Bonds, a day, other than Saturday or Sunday (i) on which banks located in the State of Idaho or in the city where the principal corporate trust office of the Trustee is located and (ii) the principal office of a Liquidity Facility Provider where draws on a Liquidity Facility are to be presented, are open for the purpose of conducting commercial banking business.

"Calendar Week" means the period of seven (7) days from and including Thursday of any week to and including Wednesday of the next following week; provided, however, that the initial Calendar Week with respect to each Weekly Interest Rate Period shall commence on the first day of such Weekly Interest Rate Period and shall end on the next succeeding Wednesday; and provided further that the final Calendar Week with respect to each Weekly Interest Rate Period shall commence on the Thursday immediately preceding the last day of such Weekly Interest Rate Period and shall end on the last day of such Weekly Interest Rate Period.

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement between the Regents and the Trustee, as Dissemination Agent, with respect to the Series 2007 Bonds.

"Conversion" or "Convert" means the adjustment of the rate borne by one or both series of the Series 2007 Bonds from a Weekly Interest Rate to a Term Interest Rate, from a Term Interest Rate to a Weekly Interest Rate or from a Term Interest Rate for one Term Interest Rate Period to a Term Interest Rate for another Term Interest Rate Period.

"Conversion Date" means the date on which the Interest Rate Period for one or both series of the Series 2007 Bonds is changed, or the date of a change of the Interest Rate Period for one or both series of the Series 2007 Bonds specified in a notice given pursuant to Section 2.4(c)(iii) or Section 2.4(d)(iii).

"Electronic Notice" means notice through telecopy, telegraph, telex, facsimile transmission, internet, e-mail or other electronic means of communication.

"Escrow Account" means the account established under the Escrow Agreement into which shall be deposited the Refunding Proceeds.

"Escrow Agent" shall mean Wells Fargo Bank, N.A., Boise, Idaho, or its successor in function, as now or hereafter designated, which shall supervise the Escrow Account pursuant to the Escrow Agreement.

"Escrow Agreement" means the agreement between the Regents and the Escrow Agent, providing for the refunding and redemption of the Refunded Bonds.

"Fitch" means Fitch Ratings, its successors and their assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Regents, with notice to the Liquidity Facility Provider, the Trustee and the Remarketing Agent.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services "Called Bond Service," 65 Broadway, 16th Floor, New York, New York 10006; Moody's "Municipal and Government," 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports; and S&P's "Called Bond Record," 55 Water Street, 45th Floor, New York, New York 10041; or to

such other addresses and/or such other services providing information with respect to called bonds as the Regents may designate in writing to the Trustee.

"Initial Series 2007A Liquidity Facility" means the standby bond purchase agreement among the Regents, the Trustee and the Initial Liquidity Facility Provider with respect to the Series 2007A Bonds.

"Initial Series 2007B Liquidity Facility" means the standby bond purchase agreement among the Regents, the Trustee and the Initial Liquidity Facility Provider with respect to the Series 2007B Bonds.

"Initial Liquidity Facility Provider" means Dexia Credit Local, acting through its New York Branch, as the liquidity provider under the Initial Series 2007A Liquidity Facility and the Initial Series 2007B Liquidity Facility.

"Initial Term Interest Rate Period" means (a) with respect to the Series 2007A Bonds, the initial Term Interest Rate Period from the Issue Date to April 1, 2011 or earlier as permitted by the terms herein and (b) with respect to the Series 2007B Bonds, the initial Term Interest Rate Period from the Issue Date to April 1, 2018 or earlier as permitted by the terms herein.

"Interest Rate Period" means either a Weekly Interest Rate Period or a Term Interest Rate Period.

"Issue Date" means, with respect to any Series 2007 Bonds, the date on which such Series 2007 Bonds are first delivered to the purchasers thereof.

"Liquidity Facility" means, as of any time, the Initial Series 2007A Liquidity Facility and the Initial Series 2007B Liquidity Facility or any Alternate Liquidity Facility, as applicable, then securing the Series 2007A Bonds or the Series 2007B Bonds.

"Liquidity Facility Provider" means, with respect to a Liquidity Facility, the bank or other financial institution acting as the provider under the Liquidity Facility, including the Initial Liquidity Facility Provider.

"Liquidity Facility Provider Bond" means any Series 2007 Bond acquired with moneys in the respective Liquidity Facility Purchase Account pursuant to Section 4.15.

"Liquidity Facility Purchase Account" means the Series 2007A Liquidity Facility Purchase Account and the Series 2007B Liquidity Facility Purchase Account.

"Mandatory Tender Bonds" is defined in Section 4.13(b)(i) of this Supplemental Resolution.

"Maximum Interest Rate" means [10%] per annum.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns and, if such

entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency (other than S&P or Fitch) designated by the Regents, with notice to the Liquidity Facility Provider, the Trustee and the Remarketing Agent.

"Nominee" means Cede & Co., as nominee of DTC, the initial Securities Depository for the Series 2007 Bonds, and any successor nominee of DTC and, if another Securities Depository replaces DTC as Securities Depository hereunder, any nominee of such substitute Securities Depository.

"Notice by Mail" or "notice" of any action or condition "by Mail" shall mean a written notice meeting the requirements of this Supplemental Resolution mailed by first class mail, postage prepaid.

"Opinion of Counsel" means a written opinion of counsel satisfactory to the Regents and not objected to by the Trustee or the Liquidity Facility Provider with respect to the Series 2007 Bonds.

"Parameters" means the maximum terms established hereby for the Series 2007 Bonds, within which the terms of the Series 2007 Bonds may be established in the Terms Certificate, such Parameters being set in Exhibit C attached hereto.

"Payment Date" means, unless otherwise provided by a Supplemental Resolution, (a) with respect to the Series 2007 Bonds during the Initial Term Interest Rate Period, and any other Term Interest Rate Period, each April 1 and October 1, commencing April 1, 2008, (b) with respect to the Series 2007 Bonds during a Weekly Interest Rate Period the first Wednesday of each month commencing with the first Wednesday of the month following the conversion to a Weekly Interest Rate Period, and (c) with respect to Liquidity Facility Provider Bonds the dates set forth for payment of interest thereof under the applicable Liquidity Facility.

"Preliminary Official Statement" means the Preliminary Official Statement of the Regents with respect to the Series 2007 Bonds.

"Principal Office" (i) of the Trustee means the principal corporate trust office of the Trustee designated in writing to the University, the Remarketing Agent and the Liquidity Facility Provider, if any, or such other office designated by the Trustee from time to time; (ii) of the Remarketing Agent means its office designated in writing to the Trustee, the University, and the Liquidity Facility Provider; (iii) of the Initial Liquidity Facility Provider means the office of the Initial Liquidity Facility Provider designated in writing to the Trustee and the University, and (iv) of any subsequent Liquidity Facility Provider means its office located at such address as such Liquidity Facility Provider shall designate in writing to the Trustee and the University.

"Project Proceeds" means the portion of the proceeds due the University from the Underwriter to purchase the Series 2007B Bonds pursuant to Section 3.3(b) of this Supplemental Resolution for purposes of financing the Series 2007B Project.

"Purchase Date" means any date on which any Series 2007 Bond is required to be purchased pursuant to Section 4.7 or Section 4.8.

"Purchase Price" means an amount equal to 100% of the principal amount of any Series 2007 Bond (or the portion thereof) tendered or deemed tendered to the Trustee for purchase pursuant to Section 4.7 or Section 4.8, plus accrued and unpaid interest thereon to but not including the date of purchase.

"Rating Agency" means Fitch, S&P, Moody's or any other nationally recognized rating agency, in each case then providing or maintaining a rating on the Series 2007 Bonds at the request of the Regents.

"Refunded Bonds" means that portion of the Recreation Center Bonds, Series 1999A Bonds, Series 1999B Bonds, Series 1999C Bonds and Series 2001 Bonds as specified in the Terms Certificate.

"Refunding Proceeds" shall mean the portion of the proceeds due the Regents from the Underwriter to purchase the Series 2007A Bonds paid to the Escrow Agent by the Underwriter pursuant to Section 3.3(a) of this Supplemental Resolution for purposes of refunding the Refunded Bonds.

"Remarketing Agent" means the initial Remarketing Agent for the Series 2007 Bonds designated in Section 6.1(a) and any successor thereto appointed pursuant to Section 6.1(d).

"Remarketing Agreement" means any agreement or agreements meeting the requirements of Section 6.1.

"Resolution" shall mean the Resolution adopted by the Regents on November 22, 1991, as previously amended and supplemented, including the Amendments as defined in the Supplemental Resolution dated January 24, 2005 and as amended and supplemented by this Supplemental Resolution, including the 2007 Amendments.

"S&P" means Standard & Poor's Ratings Services, its successors and their assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency (other than Fitch or Moody's) designated by the Regents, with notice to the Liquidity Facility Provider, the Trustee and the Remarketing Agent.

"Series 2007 Bondholder," "Holder" and "Bondholder" means the holder of any Series 2007 Bond.

"Series 2007 Bonds" means collectively, the Series 2007A Bonds and the Series 2007B Bonds.

"Series 2007 Costs of Issuance" shall mean the Costs of Issuance incurred in connection with the issuance, sale and delivery of the Series 2007 Bonds.

"Series 2007 Costs of Issuance Account" shall mean the account established pursuant to Section 3.2(b) hereof into which shall be deposited the portion of the proceeds of the Series 2007 Bonds necessary to pay the Series 2007 Costs of Issuance, as further provided in Article III hereof.

"Series 2007A Bond Purchase Fund" means the fund by that name created by Section 4.11 of this Supplemental Resolution.

"Series 2007A Bonds" means the Adjustable Rate General Revenue Refunding Bonds, Series 2007A, of the Regents authorized by this Supplemental Resolution.

"Series 2007A Liquidity Facility Purchase Account" means the subaccount by that name created within the Series 2007A Bond Purchase Fund by Section 4.11 of this Resolution.

"Series 2007A Remarketing Account" means the subaccount by that name created within the Series 2007A Bond Purchase Fund by Section 4.11 of this Resolution.

"Series 2007B Bond Purchase Fund" means the fund by that name created by Section 4.11 of this Supplemental Resolution.

"Series 2007B Bonds" means the Adjustable Rate General Revenue Bonds, Series 2007B, of the Regents authorized by this Supplemental Resolution.

"Series 2007B Liquidity Facility Purchase Account" means the subaccount by that name created within the Series 2007B Bond Purchase Fund by Section 4.11 of this Resolution.

"Series 2007B Project" means certain electrical equipment upgrades and capital maintenance on, and replacement of, portions of the University's utility corridor, central steam plant, and central chiller, and related improvements.

"Series 2007B Project Account" means the account established under Section 3.2(b) hereof into which shall be deposited the Project Proceeds.

"Series 2007B Remarketing Account" means the subaccount by that name created within the Series 2007B Bond Purchase Fund by Section 4.11 of this Resolution.

"Supplemental Resolution" means this Supplemental Resolution of the University adopted on October 11, 2007, authorizing the Series 2007 Bonds.

"Term Interest Rate" means a non-variable interest rate or rates for one or both series of the Series 2007 Bonds established for a Term Interest Rate Period in accordance with Section 2.4(d)(i).

"Term Interest Rate Period" means each period determined by the University pursuant to Section 2.4(d)(ii) during which one or both series of the Series 2007 Bonds bear interest at a Term Interest Rate; provided that each such period shall be for a term of

approximately one month, approximately three months, approximately six months, approximately nine months, approximately one year or any multiple of approximately six months above one year in each case ending on a day preceding a Business Day; provided, however, that notwithstanding the foregoing any Term Interest Rate Period which ends on the day immediately preceding the maturity date of such Series 2007 Bonds may include a period of time from the Payment Date immediately preceding the maturity date of such Series 2007 Bonds to the day immediately preceding the maturity date of such Series 2007 Bonds even if the time remaining to such day is not one of the periods specified above; and provided, further, that notwithstanding the foregoing any Term Interest Rate Period may end on the day immediately preceding the maturity date of such Series 2007 Bonds whether or not such maturity date is a Business Day.

"Terms Certificate" means a certificate of the Regents signed by the Bursar, or authorized designee, in substantially the form of <u>Exhibit D</u> attached hereto, specifying certain terms of the Series 2007 Bonds.

"Underwriter" means George K. Baum & Company, or its successor in function, as the original purchaser of the Series 2007 Bonds.

"Variable Index" means an index selected by the Remarketing Agent which is a composite of bid-side yields of obligations (a) which (i) provide for a weekly adjustment of the interest rate, and (ii) which (A) must be purchased on demand of the owner thereof at any time upon notice of up to seven (7) days or (B) are payable in full not later than seven (7) days after the date of evaluation and (b) the interest on which is tax-exempt from gross income of the holders thereof for federal income tax purposes. If for any reason the Variable Index for any rate determination date cannot be established as provided above or is held to be invalid or unenforceable by a court of law, the Variable Index for such rate determination date shall be an index computed by the Remarketing Agent and shall be equal to 110% of the PSA Municipal Index.

"Weekly Interest Rate" means an interest rate on one or both series of the Series 2007 Bonds established for a Calendar Week pursuant to Section 2.4(c)(i).

"Weekly Interest Rate Period" means each period during which the Series 2007 Bonds bear interest at Weekly Interest Rates.

"Weekly Put Bonds" is defined in Section 4.13(a)(i) of this Resolution.

Section 1.2 <u>Authority for Supplemental Resolution; References to University</u>. This Supplemental Resolution is adopted pursuant to the provisions of the Act and the Resolution. References herein to the "University" shall be deemed to refer to the Regents or other appropriate authority thereof pursuant to the Act and other applicable laws.

#### ARTICLE II

# AUTHORIZATION, TERMS AND ISSUANCE OF SERIES 2007 BONDS

Section 2.1 <u>Authorization of Series 2007 Bonds, Principal Amount, Designation and Series; Confirmation of Pledged Revenues.</u> The Series 2007 Bonds are hereby authorized for issuance, to be sold at a price not less than par subject to the Parameters, in order to provide sufficient funds for (i) the refunding of the Refunded Bonds, (ii) the financing of the Series 2007B Project, and (iii) paying costs of issuance, and in accordance with and subject to the terms, conditions and limitations established in the Resolution, as previously amended and as amended by this Supplemental Resolution. The Series 2007 Bonds shall be issued only in fully registered form, without coupons. The Series 2007 Bonds are secured by the pledge of the Pledged Revenues under Section 5.1 of the Resolution equally and ratably with all Outstanding Bonds issued under the Resolution.

Section 2.2 <u>Finding and Purpose</u>. The Regents hereby find, determine and declare:

- (a) pursuant to Section 33-3804(i) and Section 57-504, Idaho Code, the Refunded Bonds can be refunded with a debt service savings and to the benefit and advantage of the University;
- (b) pursuant to Section 33-3805, Idaho Code, the Series 2007B Project is desirable and necessary for the proper operation of the University and is economically feasible;
- (c) pursuant to Section 33-3805A, Idaho Code, the Series 2007B Project will not require state general account appropriated funds for construction, operation or maintenance;
- (d) pursuant to Section 33-3806, Idaho Code, fees, rentals and other charges from those that are served by the Series 2007B Project shall be the same as those applicable to any existing project similar in nature and purpose, provided that there may be allowed reasonable differentials based on the condition, type, location and relative convenience of such other project, but the differentials shall be uniform as to all those similarly accommodated;
- (e) pursuant to Section 33-3809, Idaho Code, this Supplemental Resolution does not contract a debt on behalf of, or in any way obligate the State of Idaho, or pledge, assign or encumber in any way, or permit the pledging, assigning or encumbering in any way of, appropriations made by the Legislature, or revenue derived from the investment of the proceeds of the sale, and from the rental of such lands as have been set aside by the Idaho Admission Bill approved July 3, 1890, or other legislative enactments of the United States, for the use and benefit of the respective state educational institutions;

- (f) pursuant to Section 33-3810, Idaho Code, the Series 2007 Bonds shall be exclusively obligations of the University, payable only in accordance with the terms thereof and shall not be obligations general, special or otherwise of the State of Idaho; and
- (g) the applicable requirements of Article VII of the Resolution relating to issuance of Additional Bonds will have been complied with upon the delivery of the Series 2007 Bonds.
- Section 2.3 <u>Issue Date</u>. The Series 2007 Bonds shall be dated the date of original delivery.

### Section 2.4 Series 2007 Bonds.

- (a) (i) The Series 2007A Bonds shall be limited to the respective aggregate principal amount specified in the Terms Certificate, but within the Parameters, and shall be designated "Adjustable Rate General Revenue Refunding Bonds, Series 2007A." The Series 2007B Bonds shall be limited to the respective aggregate principal amount specified in the Terms Certificate, but within the Parameters, and shall be designated "Adjustable Rate General Revenue Bonds, Series 2007B."
- (ii) The Series 2007 Bonds shall bear interest from and including the Issue Date thereof until payment of the principal or redemption price thereof shall have been made or provided for on the due date thereof in accordance with the provisions hereof, whether at maturity, upon redemption or acceleration or otherwise. Interest on the Series 2007 Bonds with respect to the immediately preceding Interest Period shall be paid on each Payment Date. Except during a Term Interest Rate Period of one year or longer, interest on the Series 2007 Bonds shall be computed upon the basis of a 365-day or 366-day year, as applicable, for the number of days actually elapsed. During any Term Interest Rate Period of one year or longer, interest on the Series 2007 Bonds shall be computed upon the basis of a 360-day year, consisting of twelve 30-day months.
- (iii) Payment of the interest on any Series 2007 Bond shall be made to the person appearing on the Bond Register as the registered owner thereof as of the applicable Record Date, such interest to be paid by the Trustee to such Bondholder (i) by check mailed by first class mail on the Payment Date, to such Bondholder's address as it appears on the Bond Register, or (ii) upon written request at least three Business Days prior to the applicable Record Date of Liquidity Facility Provider (with respect to the Liquidity Facility Provider Bonds) or of the Holder of all of the Outstanding Series 2007 Bonds of a series or the Holder of Outstanding Series 2007 Bonds of a series aggregating not less than \$1,000,000 in principal amount, by wire transfer in immediately available funds at an account maintained in the United States at such wire address as such

Bondholder shall specify in its written notice (any such written request shall remain in effect until rescinded in writing by such Bondholder); except, in each case, that, if and to the extent that there shall be a default in the payment of the interest due on such Payment Date, such defaulted interest shall be paid to the Bondholder in whose name any such Series 2007 Bonds are registered on the Bond Register at the close of business on a special record date to be fixed by the Trustee. Both the principal of and premium, if any, on the Series 2007 Bonds shall be payable upon surrender thereof at the Principal Office of the Trustee. Liquidity Facility Provider Bonds shall bear interest which shall be computed and be payable as set forth in the applicable Liquidity Facility [and such interest rate may exceed the Maximum Interest Rate].

(b) In the manner hereinafter provided, the term of each series of the Series 2007 Bonds will be divided into consecutive Interest Rate Periods, during each of which such Series 2007 Bonds shall bear interest at Weekly Interest Rates or Term Interest Rates. The initial Interest Rate Period for each series of the Series 2007 Bonds shall be a Term Interest Rate Period established for each such series by the Terms Certificate (but within the Parameters) during which each series of the Series 2007 Bonds shall bear interest at Term Interest Rates. Each series of the Series 2007 Bonds shall continue in such Term Interest Rate Period until Converted to a Weekly Interest Rate pursuant to Section 2.4(c)(i) or to a different Term Interest Rate Period pursuant to Section 2.4(d)(ii).

# (c) <u>Weekly Interest Rate</u>.

(i) <u>Determination of Weekly Interest Rate</u>. During each Weekly Interest Rate Period, the applicable Series 2007 Bonds shall bear interest at Weekly Interest Rates determined pursuant to this Section 2.4(c)(i). Except as otherwise provided in Section 2.4(d)(ii) and Section 2.4(e), the Weekly Interest Rate for each Calendar Week shall be determined by the Remarketing Agent not later than 5:00 p.m. (New York City time) on the Wednesday immediately preceding such Calendar Week (or by 12:00 noon (New York City time) on the next preceding Business Day if such Wednesday is not a Business Day); provided, however, that if the Series 2007 Bonds are to be Converted to a Weekly Interest Rate Period from a Term Interest Rate Period, the Weekly Interest Rate for the initial Calendar Week of such Weekly Interest Rate Period shall be determined not later than the Business Day next preceding the effective date of such Weekly Interest Rate Period.

The Weekly Interest Rate shall be the rate determined by the Remarketing Agent (on the basis of the examination of obligations comparable to such Series 2007 Bonds known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) to be the minimum interest rate which, if borne by such Series 2007 Bonds, would enable the Remarketing Agent to sell such Series 2007 Bonds on

such day at a price equal to the principal amount thereof plus accrued interest; provided, however, that if for any reason the Weekly Interest Rate for a Calendar Week is not so determined, the Weekly Interest Rate for such Calendar Week shall remain at the then-existing rate until such time as the Remarketing Agent determines the Weekly Interest Rate as provided herein (or if the Series 2007 Bonds are being Converted to a Weekly Interest Rate Period from a Term Interest Rate Period, the Weekly Interest Rate for such Calendar Week shall be a percent per annum equal to the Variable Index, and the Weekly Interest Rate for each succeeding Calendar Week shall be a percent per annum equal to the Variable Index until such time as the Remarketing Agent determines the Weekly Interest Rate as provided herein). Upon determination of each Weekly Interest Rate, the Remarketing Agent shall provide notice to the Trustee of such Weekly Interest Rate. The Weekly Rate for the Series 2007A Bonds and Series 2007B Bonds (if both are bearing interest at the Weekly Rate) may but are not required to be the same rate.

- Conversion to Weekly Interest Rate Period. University, by written direction to the Trustee and the Remarketing Agent, delivered at least thirty (30) days prior to the proposed Conversion Date, accompanied by an Approving Opinion, may elect to Convert the Interest Rate Period for either or both series of the Series 2007 Bonds from a Term Interest Rate Period to a Weekly Interest Rate Period. Such direction shall specify the Conversion Date to such Weekly Interest Rate Period which shall be (A) the Payment Date next succeeding the last day of the thencurrent Term Interest Rate Period which is not less than thirty-five (35) days following the date of receipt by the Trustee of such direction, or (B) any date on which such Series 2007 Bonds may be optionally redeemed at par pursuant to Section 4.1(ii) hereof not less than thirty-five (35) days following the date of receipt by the Trustee of such direction. Prior to conversion to a Weekly Interest Rate Period with the Initial Liquidity Facility, all required terms, evidences, representations and other requirements of the Initial Liquidity Facility shall have been satisfied.
- (iii) Notice of Conversion to Weekly Interest Rate Period. Except for an automatic Conversion to a Weekly Interest Rate Period pursuant to Section 2.4(d)(i) hereof or Section 2.4(e) hereof, as to which no notice shall be required, the Trustee shall give notice by first class mail of a Conversion of the Series 2007A Bonds to a Weekly Interest Rate Period to the Bondholders, the Liquidity Facility Provider, the Remarketing Agent and the University not less than thirty (30) days prior to the Conversion Date to such Weekly Interest Rate Period. Such notice shall state (A) that the Interest Rate Period on such Series 2007 Bonds will be Converted to a Weekly Interest Rate Period, (B) the Conversion Date to such Weekly Interest Rate Period shall be determined and the manner by which the Weekly Interest Rates for such Weekly Interest

Rate Period may be obtained, (D) the Payment Dates with respect to such Weekly Interest Rate Period, (E) that such Series 2007 Bonds will be purchased on such Conversion Date pursuant to Section 4.8, (F) the procedures for the purchase provided for in clause (E) above, (G) that, subsequent to such effective date, the Bondholders or the Beneficial Owners will have the right to demand purchase of such Series 2007 Bonds upon not less than seven days' notice, (H) the procedures for a demand for the purchase provided for in clause (G) above, (I) the redemption provisions that will pertain to such Series 2007 Bonds during such Weekly Interest Rate Period, and (J) the ratings which are expected to be assigned to such Series 2007 Bonds upon such Conversion to a Weekly Interest Rate Period.

### (d) Term Interest Rate.

- Determination of Term Interest Rate. During each Term (i) Interest Rate Period, the respective Series 2007 Bonds shall bear interest at the applicable Term Interest Rate, which shall be determined by the Remarketing Agent not later than 4:00 p.m. (New York City time) on the Business Day preceding the first day of such Term Interest Rate Period. The Term Interest Rate shall be the rate determined by the Remarketing Agent (in part, on the basis of examination of obligations comparable to such Series 2007 Bonds known to the Remarketing Agent to have been priced or traded under then-prevailing market conditions) to be the minimum interest rate which, if borne by such Series 2007 Bonds, would enable the Remarketing Agent to sell such Series 2007 Bonds on such Business Day at a price equal to the principal amount thereof; provided, however, that if for any reason the Term Interest Rate is not so determined for any Term Interest Rate Period, the Interest Rate Period on such Series 2007 Bonds shall automatically Convert to a Weekly Interest Rate Period and the Remarketing Agent shall determine the Weekly Interest Rate for the initial Calendar Week on such date. Upon determination of each Term Interest Rate, the Remarketing Agent shall provide written notice of such Term Interest Rate to the Trustee. Each series of the Series 2007 Bonds may have differing Term Interest Rate Periods and may bear the same or differing rates.
- (ii) <u>Conversion to Term Interest Rate Period</u>. The University by written direction to the Trustee and the Remarketing Agent, delivered at least thirty-five (35) days prior to the proposed Conversion Date to a Term Interest Rate Period, accompanied by the written consent of the Liquidity Facility Provider (unless such Term Interest Period is fixed to maturity of the applicable Series 2007 Bonds), and the 2007 Insurer and an Approving Opinion, may elect to Convert the Interest Rate Period for one or both series of the Series 2007 Bonds from a Weekly Interest Rate Period to a Term Interest Rate Period or from one Term Interest Rate Period to another Term Interest Rate Period, and shall determine the

duration of any such new Term Interest Rate Period which shall be one of the periods specified in the definition "Term Interest Rate Period." Such direction (A) shall specify the Conversion Date to such Term Interest Rate Period which shall be (1) the Payment Date which is not less than thirtyfive (35) days following the receipt by the Trustee of such direction if such Series 2007 Bonds are to be Converted from a Weekly Interest Rate Period to a Term Interest Rate Period; or (2) the Payment Date next succeeding the last day of the then-current Term Interest Rate Period which is not less than thirty-five (35) days following the date of receipt by the Trustee of such direction if such Series 2007 Bonds are to be Converted from one Term Interest Rate Period to another, or (3) any date on which such Series 2007 Bonds may be optionally redeemed at par pursuant to Section 4.1(ii) hereof not less than thirty-five (35) days following the date of receipt by the Trustee of such direction; and (B) shall specify the last day thereof. Notwithstanding anything else provided in this Section 2.4(d)(ii), the University shall not Convert the Interest Rate Period on the Series 2007 Bonds to a Term Interest Rate Period unless the Liquidity Facility then in effect with respect to such Series 2007 Bonds has been modified (unless such Term Interest Period is fixed to maturity of the applicable Series 2007 Bonds), if necessary, to provide interest coverage sufficient to provide for all interest to accrue on such Series 2007 Bonds as of each Payment Date during and immediately succeeding such Term Interest Rate Period plus ten (10) additional days at the Term Interest Rate for such Term Interest Rate Period.

Notice of Conversion to Term Interest Rate Period. The Trustee shall give notice by first class mail of each Conversion to a Term Interest Rate Period to the Bondholders and to the Liquidity Facility Provider not less than thirty (30) days prior to the Conversion Date for such Term Interest Rate Period. Such notice shall state (A) that the interest rate on such Series 2007 Bonds will be Converted to or continue to be a Term Interest Rate Period, (B) the Conversion Date for, and final date of, such Term Interest Rate Period, (C) the day by which the Term Interest Rate for such Term Interest Rate Period shall be determined, (D) the manner by which such Term Interest Rate may be obtained, (E) the Payment Date or Dates with respect to such Term Interest Rate Period, (F) such Series 2007 Bonds shall be purchased on such effective date pursuant to Section 4.8, (G) the procedures for the purchase provided for in clause (F) above, (H) the redemption provisions that will pertain to such Series 2007 Bonds during such Term Interest Rate Period, (I) the ratings which are expected to be assigned to such Series 2007 Bonds upon such Conversion to a Term Interest Rate Period and (J) whether a Liquidity Facility will be in effect with respect to such Series 2007 Bonds upon such Conversion to a Term Interest Rate Period and, if so, identifying such Liquidity Facility.

- (iv) <u>Restriction on Conversion</u>. Until a date after April 1, 2011, the Series 2007 Bonds shall not be converted to a different Interest Rate Period without an Opinion of Counsel to the effect that such action will not, in and of itself, adversely affect the tax-exempt status of interest on the Series 2007 Bonds or the Refunded Bonds.
- (e) Failure of Conditions to Convert to Term Interest Rate Period. Notwithstanding anything in this Resolution to the contrary, if the conditions to Convert one or both series of the Series 2007 Bonds to a Weekly Interest Rate Period contained in Section 2.4(c)(ii) or to Convert one or both series of the Series 2007 Bonds from a Weekly Interest Rate Period to a Term Interest Period or from one Term Interest Rate Period to another Term Interest Rate Period contained in Section 2.4(d)(ii) are not satisfied, then the Interest Rate Period that shall commence on the mandatory purchase of such Series 2007 Bonds on the respective Conversion Date specified in the notice of Conversion delivered to Bondholders pursuant to Section 2.4(c)(iii) or Section 2.4(d)(iii), as applicable, shall automatically and without further action hereunder, be a Weekly Interest Rate Period, and the Remarketing Agent shall determine the interest rate to apply to the Series 2007 Bonds commencing on such Conversion Date on such date.
- (f) Notwithstanding anything in this Resolution to the contrary, if an Event of Default shall have occurred and be continuing, the interest rate on each series of the Series 2007 Bonds shall be the rate on such Series 2007 Bonds on the day prior to the occurrence of such Event of Default.
- (g) The determination of the interest rate on the Series 2007 Bonds by the Remarketing Agent shall be conclusive and binding upon the Bondholders, the Regents, the Liquidity Facility Provider, and the Trustee.

## Section 2.5 Sale of Series 2007 Bonds.

- (a) The Series 2007A Bonds authorized to be issued herein are hereby authorized for sale to the Underwriter in a principal amount not exceeding the Parameters and as specified in the Terms Certificate. The Series 2007A Bonds may be sold with an Underwriter's discount or fee (but without a net reoffering discount) not exceeding the Parameters and as specified in the Terms Certificate, on the terms and conditions set forth in the Bond Purchase Agreement. To evidence the acceptance of the Bond Purchase Agreement, the Bursar is hereby authorized to execute and deliver, the Bond Purchase Agreement in substantially the form presented at this meeting and with such final rate and terms for the Series 2007A Bonds as are within the Parameters.
- (b) The Series 2007B Bonds authorized to be issued herein are hereby authorized for sale to the Underwriter in a principal amount not exceeding the Parameters and as specified in the Terms Certificate. The Series 2007B Bonds may be sold with an Underwriter's discount or fee (but without a net reoffering discount) not exceeding the Parameters and as specified in the Terms Certificate,

on the terms and conditions set forth in the Bond Purchase Agreement. To evidence the acceptance of the Bond Purchase Agreement, the Bursar is hereby authorized to execute and deliver, the Bond Purchase Agreement in substantially the form presented at this meeting and with such final rate and terms for the Series 2007B Bonds within the Parameters.

The Preliminary Official Statement of the Regents prepared in connection with the offering of the Series 2007 Bonds, in substantially the form presented at this meeting, with such changes, omissions, insertions and revisions as the Bursar shall approve, is hereby authorized for use by Underwriter for distribution to prospective purchasers of the Series 2007 Bonds and other interested persons. The Bursar or authorized designee is hereby authorized to sign a certificate to "deem final" the Preliminary Official Statement pursuant to SEC Rule 15c2-12 in connection with the offering of the Series 2007 Bonds.

In order to comply with subsection (b)(5) of SEC Rule 15c2-12, the Underwriter shall provide in the Bond Purchase Agreement that it is a condition to delivery of the Series 2007 Bonds that the Regents and the Trustee shall have executed and delivered the Continuing Disclosure Agreement. The Continuing Disclosure Agreement is proposed to be entered into between the Trustee and Regents and is hereby approved in all respects in substantially the form presented to the Regents with such changes, omissions, insertions and revisions as the Bursar shall approve, and the Bursar or authorized designee is hereby authorized to execute and deliver the Continuing Disclosure Agreement with respect to the Series 2007 Bonds.

The Bursar of the University and the President, Vice President, Vice President for Finance and Administration, and Secretary of the Regents, and any authorized designee of the same, are, and each of them is, hereby authorized to do or perform all such acts as may be necessary or advisable to comply with this Supplemental Resolution and/or the Bond Purchase Agreement and to carry the same into effect.

The final Official Statement of the Regents for the sale of the Series 2007 Bonds, in substantially the form of the Preliminary Official Statement presented at this meeting, with such changes, omissions, insertions and revisions as the Bursar shall approve, is hereby authorized, and the Bursar shall sign such final Official Statement and deliver such final Official Statement to the Underwriter for distribution to prospective purchasers of the Series 2007 Bonds and other interested persons, which signature shall evidence such approval.

Section 2.6 <u>Delivery of Series 2007 Bonds</u>. The Series 2007 Bonds shall be delivered to the Underwriter upon compliance with the provisions of Section 3.2 of the Resolution, at such time and place as provided in, and subject to, the provisions of the Bond Purchase Agreement.

Section 2.7 <u>Form of Series 2007 Bonds</u>. The form of the Series 2007 Bonds is attached to this Supplemental Resolution as Exhibit A, which is incorporated herein by this reference.

### Section 2.8 Book-Entry Only System.

- (a) The Series 2007 Bonds shall initially be registered on the Bond Register in the name of Cede & Co., the nominee for the Securities Depository, and no Beneficial Owner will receive certificates representing their respective interests in the Series 2007 Bonds, except in the event the Trustee issues Replacement Bonds as provided below. It is anticipated that during the term of the Series 2007 Bonds, the Securities Depository will make book-entry transfers among the DTC Participants and receive and transmit payments of principal of and interest on the Series 2007 Bonds until and unless the Trustee authenticates and delivers Replacement Bonds to the Beneficial Owners as described below. So long as any of the Series 2007 Bonds are registered in the name of Cede & Co, as nominee of the DTC, all payments with respect to principal of, premium, if any, and interest on the Series 2007 Bonds and all notices with respect to the Series 2007 Bonds shall be made and given in the manner provided in the Representations Letter.
- (b) If the Securities Depository determines to discontinue providing its services with respect to the Series 2007 Bonds and the University cannot obtain a qualified successor Securities Depository, or if the University determines not to use the Book-Entry System of the Securities Depository, the University shall execute and the Trustee shall authenticate and deliver one or more Series 2007 Bond certificates (the "Replacement Bonds") to the DTC Participants in principal amounts and maturities corresponding to the identifiable Beneficial Owners' interests in the Series 2007 Bonds, with such adjustments as the Trustee may find necessary or appropriate as to accrued interest and previous calls for redemption, if any. In such event, all references to the Securities Depository herein shall relate to the period of time when the Securities Depository has possession of at least one Series 2007 Bond. Upon the issuance of Replacement Bonds, all references herein to obligations imposed upon or to be performed by the Securities Depository shall be deemed to be imposed upon and performed by the Trustee, to the extent applicable with respect to such Replacement Bonds.
- (c) With respect to Series 2007 Bonds registered in the name of Cede & Co. as nominee for the Securities Depository, neither the University nor the Trustee shall have any responsibility to any Beneficial Owner with respect to:
  - (i) the sending of transaction statements, or maintenance, supervision, or review of records of the Securities Depository;
  - (ii) the accuracy of the records of the Securities Depository or Cede & Co. with respect to any ownership interest in the Series 2007 Bonds;
  - (iii) the payment to any Beneficial Owner, or any person other than the Securities Depository, of any amount with respect to principal of, interest on, or redemption premium, if any, on the Series 2007 Bonds; or

- (iv) any consent given or other action taken by the Securities Depository or Cede & Co. as owner of the Series 2007 Bonds.
- (d) The University has executed and delivered to DTC the Representations Letter with respect to Bonds issued under the Resolution [verify]. Such Representations Letter is for the purpose of effectuating the initial Book-Entry System for the Series 2007 Bonds through DTC as Securities Depository and shall not be deemed to amend, supersede or supplement the terms of this Bond Resolution which are intended to be complete without reference to the Representations Letter. In the event of any conflict between the terms of the Representations Letter and the terms of this Supplemental Resolution, the terms of this Supplemental Resolution shall control. The Securities Depository may exercise the rights of a Registered Owner hereunder only in accordance with the terms hereof applicable to the exercise of such rights.

Securities Depository resigns, is unable to properly discharge its responsibilities or is no longer qualified to act as a securities depository and registered clearing agency under the Securities and Exchange Act of 1934, as amended, or other applicable state or federal statute or regulation, the Trustee, with the written consent of the University, may appoint a successor Securities Depository, provided the Trustee receives written evidence satisfactory to the Trustee with respect to the ability of the successor Securities Depository shall be a securities depository which is a registered clearing agency under the Securities and Exchange Act of 1934, as amended, or other applicable state or federal statute or regulation. Upon the appointment of a successor Securities Depository, the Trustee shall cause the authentication and delivery of Series 2007 Bonds to the successor Securities Depository in appropriate denominations and form as provided herein.

Section 2.10 <u>Submittal to Attorney General</u>. There shall promptly be submitted to the Attorney General of the State of Idaho by the Secretary of the Regents a certified copy of this Supplemental Resolution, together with the proceedings had in its adoption, in order that the Attorney General may examine into and pass upon the validity of the Series 2007 Bonds and the regularity of such proceedings, in the manner and with the effect specified in chapter 38 of Title 33, Idaho Code, as amended.

Section 2.11 <u>Consent to Amendments</u>. As the initial purchaser of the Series 2007 Bonds, the Underwriter shall be deemed to have consented to all Amendments to date of the Resolution, including, without limitation, those Amendments as defined in the Supplemental Resolution adopted in connection with the issuance of the Series 2005A Bonds and the 2007 Amendments pursuant to this Supplemental Resolution.

Section 2.12 <u>Financial Guaranty Insurance</u>. Payment of principal and interest on the Series 2007 Bonds is guaranteed by the 2007 Insurer in accordance with the terms of the 2007 Policy. The 2007 Insurer's obligations are set forth in the 2007 Policy. The original 2007 Policy shall be on file with the Insurance Trustee (hereinafter

defined). A copy of the 2007 Policy is on file with the Trustee and may be obtained from the Trustee or the 2007 Insurer. So long as the Series 2007 Bonds shall be insured by the 2007 Policy and so long as the 2007 Insurer shall not be in default under the 2007 Policy, the following provisions, and other provisions herein referring to the 2007 Insurer, shall be in effect, and shall take precedence over any provision of the Resolution to the contrary.

- (a) The 2007 Insurer shall be deemed to be the sole Holder of the Series 2007 Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Holders of the Series 2007 Bonds are entitled to take pursuant to the Resolution.
- (b) The maturity of the Series 2007 Bonds shall not be accelerated without the consent of the 2007 Insurer and in the event the maturity of the Series 2007 Bonds is accelerated, the 2007 Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued, on such principal to the date of acceleration (to the extent unpaid by the University) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the 2007 Insurer's obligations under the 2007 Policy with respect to such Series 2007 Bonds shall be fully discharged.
- (c) Any amendment, supplement, modification to, or waiver of, the Resolution or any other materially related transaction document, including any underlying security agreement (each a "Related Document"), that requires the consent of Owners or materially adversely affects the rights and interest of the 2007 Insurer shall be subject to the prior written consent of the 2007 Insurer. Supplemental Resolutions authorizing the issuance of Additional Bonds as provided in the Resolutions shall not require such consent.
- (d) The rights granted to the 2007 Insurer under the Resolution to request, consent to or direct any action are rights granted to the 2007 Insurer in consideration of its issuance of the 2007 Policy. Any exercise by the 2007 Insurer of such rights is merely an exercise of the 2007 Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Owners nor does such action evidence any position of the 2007 Insurer, positive or negative, as to whether Owner consent is required in addition to consent of the 2007 Insurer.
- (e) University shall pay or reimburse the 2007 Insurer any and all charges, fees, costs and expenses which the 2007 Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in the Resolution, (ii) the pursuit of any remedies under the Resolution or otherwise afforded by law or equity, or (iii) any litigation or other dispute in connection with the Resolution or the transactions contemplated thereby, other than amounts resulting from the failure of the 2007 Insurer to honor its obligations under the 2007 Policy. The 2007 Insurer reserves

the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Resolution.

- (f) The 2007 Insurer shall be entitled to pay principal or interest on the Series 2007 Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the University (as such terms are defined in the 2007 Policy) whether or not the 2007 Insurer has received a Notice of Nonpayment (as such terms are defined in the 2007 Policy) or a claim upon the 2007 Policy.
- (g) Amounts paid by the 2007 Insurer under the 2007 Policy shall not be deemed paid for purposes of the Resolution and any Series 2007 Bonds so paid shall remain Outstanding and continue to be due and owing until paid by the University in accordance with the Resolution. The 2007 Insurer shall, to the extent it makes any payment of principal of or interest on the Series 2007 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the 2007 Policy. The Resolution shall not be discharged unless all amounts due or to become due to the 2007 Insurer have been paid in full or duly provided for.
- (h) (i) If, on the third Business Day prior to the related scheduled interest payment date or principal payment date ("Payment Date"), there is not on deposit with the Trustee, after making all transfers and deposits required under the Resolution, moneys sufficient to pay the principal of and interest on the Series 2007 Bonds due on such Payment Date, the Trustee shall make a claim under the 2007 Policy and give notice to the 2007 Insurer and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Series 2007 Bonds and the amount required to pay principal of the Series 2007 Bonds, confirmed in writing to the 2007 Insurer and the 2007 Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the 2007 Policy.
  - (ii) The Trustee shall designate any portion of payment of principal on Series 2007 Bonds paid by the 2007 Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Series 2007 Bonds registered to the then current Series 2007 Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Series 2007 Bond to the 2007 Insurer, registered in the name of the 2007 Insurer in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Series 2007 Bond shall have no effect on the amount of principal or interest payable by the University on any Series 2007 Bond or the subrogation rights of the 2007 Insurer.

- (iii) The Trustee shall keep a complete and accurate record of all funds deposited by the 2007 Insurer into the Policy Payments Account (as hereinafter defined) and the allocation of such funds to payment of interest on the principal paid in respect to any Series 2007 Bond. The 2007 Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the University.
- Upon payment of a claim under the 2007 Policy the Trustee shall establish a separate special purpose trust account for the benefit of Bondholders referred to herein as the "Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the 2007 Policy in trust on behalf of Series 2007 Bondholders and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Series 2007 Bondholders in the same manner as principal and interest payments are to be made with respect to the Series 2007 Bonds under the sections hereof regarding payment of Series 2007 Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything herein to the contrary, and to the extent permitted by law, the University agrees to pay to the 2007 Insurer (i) a sum equal to the total of all amounts paid by the 2007 Insurer under the 2007 Policy (the "Insurer Advances"); and (ii) interest on such Insurer Advances from the date paid by the 2007 Insurer until payment thereof in full, payable to the 2007 Insurer at the Late Payment Rate per annum (collectively, the "Insurer Reimbursement Amounts"). "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Series 2007 Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days.
- (v) Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee.
- (vi) Any funds remaining in the Policy Payments Account following a Payment Date shall promptly be remitted to the 2007 Insurer.

- (i) The 2007 Insurer shall be provided with the following information (by the University with respect to items (i), (vi), (vii) and (viii) below, and by the Trustee with respect to items (ii) through (v) and (ix) below):
  - (i) Annual audited financial statements within 180 days after the end of the University's fiscal year (together with a certification of the University that it is not aware of any default or Event of Default under the Resolution), and the University's annual budget within 30 days after the approval thereof together with such other information, data or reports as the 2007 Insurer shall reasonably request from time to time;
  - (ii) Notice of any draw upon the Debt Service Reserve Fund within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Debt Service Reserve Requirement and (ii) withdrawals in connection with a refunding of Bonds;
  - (iii) Notice of any default known to the Trustee within five Business Days after knowledge thereof;
  - (iv) Prior notice of the advance refunding or redemption of any of the Series 2007 Bonds including the principal amount, maturities and CUSIP numbers thereof:
  - (v) Notice of the resignation or removal of the Trustee and the appointment of, and acceptance of duties by, any successor thereto;
  - (vi) Notice of the commencement of any proceeding by or against the University commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");
  - (vii) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on the Series 2007 Bonds;
  - (viii) A full original transcript of all proceedings relating to the execution of any amendment or supplement to the Resolution (other than supplements in connection with the issuance of Additional Bonds); and
  - (ix) All reports, notices and correspondence to be delivered to Series 2007 Bondholders under the terms of the Resolution.
- (j) The Notice address of the 2007 Insurer is: Financial Security Assurance Inc., 31 West 52nd Street, New York, New York 10015, Attention: Managing Director Surveillance; re: Policy No. \_\_\_\_\_\_; Telephone: (212) 826-0100; Telecopier: (212) 339-3556, or such other notice address as the 2007 Insurer shall provide in writing to the Trustee and the University. In each case in

which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

- (k) The 2007 Insurer shall be deemed to be a third party beneficiary to the Resolution.
- (1) To accomplish defeasance of the Series 2007 Bonds, the University must cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant ("Accountant") verifying the sufficiency of the escrow established to pay the Series 2007 Bonds in full on the maturity or redemption date ("Verification"), (ii) an escrow deposit agreement, and (iii) a certificate of discharge of the Trustee with respect to the Series 2007 Bonds; each verification shall be acceptable in form and substance, and addressed, to the University, the Trustee and the 2007 Insurer. The Series 2007 Bonds shall be deemed "Outstanding" under the Resolution unless they are in fact paid and retired or the above criteria are met. The University shall utilize its best efforts to provide the 2007 Insurer with final drafts of the above-referenced documentation not less than five business days prior to the funding of the escrow.
- (m) No grace period for a covenant default shall exceed 30 days or be extended for more than 60 days, without the prior written consent of the 2007 Insurer. No grace period shall be permitted for payment defaults.
- (n) The exercise of any provision of the Resolution which permits the purchase of Series 2007 Bonds in lieu of redemption shall require the prior written approval of the 2007 Insurer if any Series 2007 Bond so purchased is not cancelled upon purchase.
- (o) Unless the 2007 Insurer otherwise directs, upon the occurrence and continuance of an Event of Default or an event which with notice or lapse of time would constitute an Event of Default, amounts on deposit in the Series 2007 Construction Subaccount shall not be disbursed, but shall instead be applied to the payment of debt service or defeasance of the Series 2007 Bonds.
- (p) In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Resolution would adversely affect the security for the Series 2007 Bonds or the rights of the Bondholders, the University and the Trustee, as applicable, shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no 2007 Policy.

Section 2.13 <u>Further Authority</u>. The Bursar or any authorized designee thereof and such other officers of the Regents or University as may be required, are hereby authorized and directed to execute all such certificates, documents and other instruments as may be necessary or advisable to provide for the issuance, sale,

registration and delivery of the Series 2007 Bonds, including, without limitation, the Initial Liquidity Facility, the Escrow Agreement, the Official Statement, the Remarketing Agreement, and the Terms Certificate.

#### ARTICLE III

# CREATION OF ACCOUNTS; APPLICATION OF SERIES 2007 BOND PROCEEDS

## Section 3.1 <u>Pledge of Pledged Revenues and Liquidity Facility.</u>

- (a) Subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Pledged Revenues are hereby irrevocably pledged as described in Section 5.3 of the Resolution first, to the payment of the principal of, premium, if any, and interest on all Bonds Outstanding under the Resolution (including the Series 2007 Bonds and any Liquidity Facility Provider Bonds), second, to the replenishment of the Debt Service Reserve Account as may be required by Section 5.5 of the Resolution, third to the payment of any obligations (other than payment on any Liquidity Facility Provider Bonds) due to the Liquidity Facility Provider under the Liquidity Facility and thereafter for the purposes specified in Section 5.3D of the Resolution.
- (b) Each Liquidity Facility provided with respect to the Series 2007 Bonds is for the punctual payment of the Purchase Price of the related Series 2007 Bonds, and proceeds of any such Liquidity Facility shall not be used for any other purpose. Each Liquidity Facility, if any, and any payments thereunder shall be held in trust for the benefit of the Holders from time to time of the related Series 2007 Bonds.
- Section 3.2 <u>Creation of Accounts in the Construction Fund</u>. In connection with the issuance of the Series 2007 Bonds, the University hereby establishes the following funds and accounts in the Construction Fund:
  - (a) the Series 2007B Project Account, to be held by the University; and
  - (b) the Series 2007 Costs of Issuance Account, to be held by the University.
- Section 3.3 <u>Application of Proceeds of Series 2007 Bonds</u>. Proceeds of the sale of the Series 2007 Bonds shall be applied as follows:
  - (a) The Refunding Proceeds, in the amount specified in the Terms Certificate, shall be transferred to the Escrow Agent for investment as contemplated by the Escrow Agreement (as hereinafter approved) and in accordance with the provisions of Section 57-504, Idaho Code (except for any amount to be retained as cash), and the obligations in which such proceeds are so invested and any remaining cash shall be deposited in trust by the Escrow Agent as required by the Escrow Agreement;
  - (b) The Project Proceeds, in the amount specified in the Terms Certificate, shall be deposited to the Series 2007B Project Account held by the

University. Upon completion of the Series 2007B Project and payment of all costs related thereto, any remaining proceeds in the Series 2007B Project Account shall be transferred by the University to the Trustee for deposit in the Bond Fund for payment of the Series 2007B Bonds; and

(c) The amount necessary to pay the Series 2007 Costs of Issuance, in the amount specified in the Terms Certificate, shall be deposited to the Series 2007 Costs of Issuance Account held by the University. Any balance remaining in the Series 2007 Costs of Issuance Account, after payment of the Series 2007 Costs of Issuance, shall be deposited to the Series 2007B Project Account.

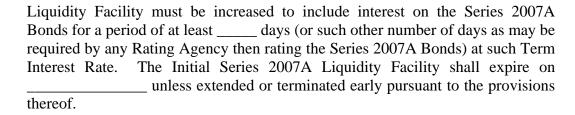
Section 3.4 <u>Investment of Moneys</u>. Any moneys in any of the funds and accounts to be established by the Trustee pursuant to this Supplemental Resolution (other than the Series 2007A Bond Purchase Fund, Series 2007B Bond Purchase Fund, Series 2007A Liquidity Facility Account and the Series 2007B Liquidity Facility Account shall be invested pursuant to the terms of the Resolution.

Notwithstanding the foregoing provisions of this Section 3.4, any moneys held in the Series 2007A Bond Purchase Fund, Series 2007B Bond Purchase Fund and any moneys constituting payments under any Liquidity Facility shall be held uninvested.

Section 3.5 Repayment to the Regents or Liquidity Facility Provider. When there are no longer any Series 2007 Bonds Outstanding under the Resolution, and all fees, charges and expenses of the Trustee, the Regents, the Liquidity Facility Provider, and the Remarketing Agent have been paid or provided for, and all other amounts payable hereunder have been paid, the Trustee shall pay to the University any amounts remaining in any fund established and held hereunder for the Series 2007 Bonds; provided, however, that no payment shall be made to the University and such amounts shall be paid to the Liquidity Facility Provider if and to the extent the University has any obligations to a Liquidity Facility Provider which are then due and payable, as certified by the Liquidity Facility Provider to the University and the Trustee.

## Section 3.6 Liquidity Facilities.

(a) The Initial Series 2007A Liquidity Facility will be a standby bond purchase agreement among the Regents, the Trustee and Initial Liquidity Provider, providing for direct payments to or upon the order of the Trustee of amounts up to (i) the principal portion of the purchase price of the Series 2007A Bonds when due, at purchase pursuant to a tender; and (ii) the interest portion of the purchase price of Series 2007A Bonds consisting of accrued interest for a period of at least \_\_\_\_\_ days at the Maximum Interest Rate. If the Liquidity Facility will be in effect during a Weekly Rate Period, the stated coverage amount of the Liquidity Facility must provide for interest on the Series 2007A Bonds for a period of at least \_\_\_\_\_ days (or such other number of days as may be required by any Rating Agency then rating the Series 2007A Bonds) at the Maximum Interest Rate. If the Liquidity Facility will be in effect during a Term Interest Rate Period other than the Initial Term Interest Rate Period, the stated coverage amount of the



- The Initial Series 2007B Liquidity Facility will be a standby bond (b) purchase agreement among the Regents, the Trustee and Initial Liquidity Provider, providing for direct payments to or upon the order of the Trustee of amounts up to (i) the principal portion of the purchase price of the Series 2007B Bonds when due, at purchase pursuant to a tender; and (ii) the interest portion of the purchase price of Series 2007B Bonds consisting of accrued interest for a period of at least \_\_\_\_ days at the Maximum Interest Rate. If the Liquidity Facility will be in effect during a Weekly Rate Period, the stated coverage amount of the Liquidity Facility must provide for interest on the Series 2007B Bonds for a period of at least days (or such other number of days as may be required by any Rating Agency then rating the Series 2007B Bonds) at the Maximum Interest Rate. If the Liquidity Facility will be in effect during a Term Interest Rate Period other than the Initial Term Interest Rate Period, the stated coverage amount of the Liquidity Facility must be increased to include interest on the Series 2007B Bonds for a period of at least \_\_\_\_\_ days (or such other number of days as may be required by any Rating Agency then rating the Series 2007B Bonds) at such Term The Initial Series 2007B Liquidity Facility shall expire on Interest Rate. unless extended or terminated early pursuant to the provisions thereof.
- Except upon conversion to a Term Interest Rate Period which (c) expires on the date immediately prior to the final maturity date of the applicable Series 2007 Bonds (for which no Liquidity Facility is required), the Trustee acknowledges the right of the University at any time to provide an Alternate Liquidity Facility with respect to the Series 2007 Bonds and to discontinue providing a Liquidity Facility with respect to the Series 2007 Bonds if there shall have been delivered to the Trustee (i) an Alternate Liquidity Facility meeting the requirements of (a) or (b) above, as applicable, then the Trustee shall accept such Alternate Liquidity Facility and, if so directed by the University, upon the effectiveness of such Alternate Liquidity Facility and the payment of the Purchase Price of all Series 2007 Bonds tendered for purchase pursuant to Section 4.8(a)(ii) in connection with such Alternate Liquidity Facility (either from the proceeds of the remarketing of Series 2007 Bonds or from amounts made available under the Liquidity Facility being replaced by such Alternate Liquidity Facility) promptly surrender the Liquidity Facility theretofore in effect with respect to the Series 2007 Bonds in accordance with the respective terms thereof for cancellation; provided, that the Trustee shall not surrender any Liquidity Facility until all draws or requests to purchase Series 2007 Bonds made under such Liquidity Facility have been honored. In the event that the University elects to provide an Alternate Liquidity Facility, the Series 2007 Bonds secured by the Liquidity Facility being

replaced shall be subject to mandatory tender as provided in Section 4.8(a)(ii) hereof. If at any time all Series 2007 Bonds shall cease to be Outstanding hereunder, or a Liquidity Facility shall be terminated pursuant to its terms, the Trustee shall promptly surrender such Liquidity Facility in accordance with its terms for cancellation. The Trustee shall comply with the procedures set forth in each Liquidity Facility relating to the termination thereof.

- (d) In the event that a Liquidity Facility is in effect with respect to the Series 2007 Bonds, the Trustee shall make a demand for payment under such Liquidity Facility subject to and in accordance with its terms, in order to receive payment thereunder not later than the time payment is due on the Series 2007 Bonds on each Purchase Date, in an amount sufficient to pay the Purchase Price of any Series 2007 Bonds tendered or deemed tendered pursuant to this Supplemental Resolution and which have not been remarketed in accordance with Section 4.13, or for which sufficient remarketing proceeds have not been received.
- (e) Each demand for payment under a Liquidity Facility shall be made not later than the time required by the Liquidity Facility in order to receive payment thereunder not later than the time payment is required to be made to the Holders of the Series 2007 Bonds pursuant to this Supplemental Resolution. The Trustee shall give notice of each such demand for payment to the University at the time of each such demand. The proceeds of each such demand shall be deposited in the respective Liquidity Facility Purchase Account in the Bond Purchase Funds and used in the order of priority established by Section 4.15 hereof. At the time of making any demand under a Liquidity Facility pursuant to Section 3.6(a), the Trustee shall deposit the proceeds of such demand directly in the respective Liquidity Facility Purchase Account in the Bond Purchase Funds. The Trustee shall comply with all provisions of each Liquidity Facility in order to satisfy any demand for payment thereunder, and will not demand payment under any Liquidity Facility of any amounts for payment of (i) Liquidity Facility Provider Bonds, or (ii) Series 2007 Bonds held by the University or the Regents unless such Liquidity Facility specifically permits such demand.
- (f) Whenever requested in writing by the University, the Trustee shall submit to each Liquidity Facility Provider a reduction certificate or other appropriate documentation necessary under the Liquidity Facility to reduce the principal amount of Series 2007 Bonds and/or related interest to which such Liquidity Facility relates to reflect and only so long as the conditions, representations, and requirements as described in the Liquidity Facility are fulfilled.
- (g) The University hereby covenants that, so long as the Series 2007 Bonds are supported by a Liquidity Facility and the Liquidity Facility Provider is not in default under such Liquidity Facility, the Series 2007 Bonds may not be discharged until all obligations pursuant to such Liquidity Facility are paid by the University.

#### ARTICLE IV

### REDEMPTION AND PURCHASE OF SERIES 2007 BONDS

Section 4.1 <u>Redemption of Series 2007 Bonds</u>. The Series 2007 Bonds of each series shall be subject to redemption, in whole, or in part by lot in Authorized Denominations, prior to their maturity date, by the University as follows:

- (i) During any Weekly Interest Rate Period for such Series 2007 Bonds, on any Business Day at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date without premium.
- (ii) Except during the Initial Term Interest Rate Period, during which such period the Series 2007 Bonds shall not be subject to optional redemption, during any Term Interest Rate Period for Series 2007 Bonds, on any day during the periods specified below, at the redemption prices (expressed as percentages of principal amount of the Series 2007 Bonds (or portions thereof) to be redeemed) hereinafter indicated, plus accrued interest to the redemption date:

Lesser of Length of Term Interest Rate Period or Length of Time to Maturity	Redemption Dates and Prices
Greater than 10 years	At any time on or after the 5th anniversary of the effective date commencing such Term Interest Rate Period at 102%, declining ½% annually on each subsequent anniversary date to 100%
Greater than 6 and less than or equal to 10 years	At any time on or after the 3rd anniversary of the effective date commencing such Term Interest Rate Period at 101 ½%, declining ½% annually on each subsequent anniversary date to 100%
Greater than 4 and less than or equal to 6 years	At any time on or after the 2nd anniversary of the effective date commencing such Term Interest Rate Period at 101%, declining ½% annually on each subsequent anniversary date to 100%
Greater than 3 and less than or equal to 4 years	At any time on or after the 2nd anniversary of the effective date commencing such Term Interest Rate Period at 100 ½%, declining ½% annually on the next anniversary date to 100%
Greater than 2 and less than or equal to 3 years	At any time on or after the 1st anniversary of the effective date commencing such Term Interest Rate Period at 100 ½% declining ½% annually on the next anniversary date to 100%
Greater than 1 and less than or equal to 2 years	At any time on or after the 1st anniversary of the effective date commencing such Term Interest Rate Period at 100% annually
Less than or equal to 1 year	On the Payment Date which is six months after the effective date of such Term Interest Rate Period at 100%

Notwithstanding the optional redemption schedule set forth above, on or prior to the effective date of a Term Interest Rate Period ending on the day immediately preceding the maturity date of the related Series 2007 Bonds, the Remarketing Agent can provide an alternate optional redemption schedule if it obtains an Approving Opinion.

# Section 4.2 <u>Mandatory Sinking Fund Redemption</u>.

(a) <u>The Series 2007A Bonds</u>. The Series 2007A Bonds shall be subject to mandatory sinking fund redemption pursuant to the Terms Certificate.

Upon redemption of any Series 2007A Bonds other than by application of such mandatory sinking fund redemption, an amount equal to the principal amount so redeemed will be credited toward a part or all of any one or more of such mandatory sinking fund redemption amounts for the Series 2007A Bonds in such order of mandatory sinking fund date as shall be directed by the University.

(b) <u>The Series 2007B Bonds</u>. The Series 2007B Bonds shall be subject to mandatory sinking fund redemption pursuant to the Terms Certificate.

Upon redemption of any Series 2007B Bonds other than by application of such mandatory sinking fund redemption, an amount equal to the principal amount so redeemed will be credited toward a part or all of any one or more of such mandatory sinking fund redemption amounts for the Series 2007B Bonds in such order of mandatory sinking fund date as shall be directed by the University.

Section 4.3 Selection of Series 2007 Bonds for Redemption. principal amount of one or both series of the Series 2007 Bonds to be redeemed shall be as specified by the University. If less than all of the Series 2007 Bonds of a series and maturity are called for redemption, the Trustee shall select the Series 2007 Bonds or any given portion thereof of such series and maturity to be redeemed, first from the Outstanding Liquidity Facility Provider Bonds, if any, or such portion thereof not previously called for redemption, by lot in such manner as it may determine, until all Liquidity Facility Provider Bonds, if any, shall have been redeemed, and then from the other Outstanding Series 2007 Bonds or such given portion thereof of such series and maturity not previously called for redemption, by lot in such manner as it may determine. For the purpose of any such selection the Trustee shall assign a separate number for each minimum Authorized Denomination of each Series 2007 Bond of such Series and maturity of a denomination of more than such minimum; provided, that following any such selection, the portion of such Series 2007 Bond to remain Outstanding shall be in an Authorized Denomination. The Trustee shall promptly notify the University in writing of the numbers of the Series 2007 Bonds or portions thereof so selected for redemption. Notwithstanding the foregoing, if less than all of the Series 2007 Bonds of a series and maturity are to be redeemed at any time while the Series 2007 Bonds of such series and maturity are Book-Entry Bonds, selection of the Series 2007 Bonds to be redeemed after Liquidity Facility Provider Bonds have been redeemed shall be made in accordance with customary practices of DTC or any other applicable Securities Depository, as the case may be.

# Section 4.4 <u>Notice of Redemption</u>.

- Unless waived by any Holder of the Series 2007 Bonds, the Trustee, for and on behalf of the University, shall give notice of the redemption of any Series 2007 Bond pursuant to the terms of the Resolution, including the following: by first class mail, postage prepaid, not less than thirty-five (35) days (fifteen (15) days during the Weekly Interest Rate Period or Term Interest Rate Period of less than one year) nor more than sixty (60) days prior to the redemption date to (i) the registered owner of such Series 2007 Bond at the address shown on the Bond Register on the date such notice is mailed; (ii) the Liquidity Facility Provider, if any; (iii) one or more Information Services; and (iv) the Remarketing Agent, if any. Notice of redemption to the Information Services shall be given by facsimile confirmed by first class mail or in such other manner as is acceptable to such institutions. Each notice of redemption shall state the date of such notice, the Issue Date, the redemption date, the redemption price, the place of redemption (including the name and appropriate address or addresses of the Trustee) and, if less than all of the Series 2007 Bonds are to be redeemed, the distinctive certificate numbers of the Series 2007 Bonds to be redeemed and, in the case of Series 2007 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 the interest on the Series 2007 Bonds designated for redemption shall cease to accrue from and after such redemption date and that on said date there will become due and payable on each of said Series 2007 Bonds the principal amount thereof to be redeemed, interest accrued thereon, if any, to the redemption date and the premium, if any, thereon (such premium to be specified) and shall require that such Series 2007 Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice. Notwithstanding the foregoing, failure by the Trustee to give notice pursuant to this paragraph to the Liquidity Facility Provider or the Remarketing Agent or any one or more of the Information Services or the insufficiency of any such notices shall not affect the sufficiency of the proceedings for redemption. Failure to mail the notices required by this paragraph to any Holder of any Series 2007 Bonds designated for redemption, or any defect in any notice so mailed and shall not affect the validity of the proceedings for redemption of any other Series 2007 Bonds.
- (b) With respect to any notice of redemption of Series 2007 Bonds by the University, unless at the time of giving such notice the Trustee shall hold moneys sufficient to pay the principal of, premium, if any, and interest to the redemption date on the Series 2007 Bonds to be redeemed, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of funds sufficient to pay the principal of, and premium, if any, and interest on, such Series 2007 Bonds to be redeemed, and that if such funds shall not have been so received said notice shall be of no force and effect, Series 2007 Bonds shall not be subject to redemption on such

date and the Series 2007 Bonds shall not be required to be redeemed on such date. In the event that such notice of redemption contains such a condition and such funds are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice, to the persons and in the manner in which the notice of redemption was given, that such funds were not so received.

Section 4.5 Partial Redemption of Series 2007 Bonds. Upon surrender of any Series 2007 Bond redeemed in part only, the Trustee shall exchange the Series 2007 Bond redeemed for a new Series 2007 Bond of like tenor and in an Authorized Denomination without charge to the Holder in the principal amount of the portion of the Series 2007 Bond not redeemed. In the event of any partial redemption of a Series 2007 Bond which is registered in the name of the Nominee, DTC may elect to make a notation on the Series 2007 Bond certificate which reflects the date and amount of the reduction in principal amount of said Series 2007 Bond in lieu of surrendering the Series 2007 Bond certificate to the Trustee for exchange. The Regents, the Trustee and the University shall be fully released and discharged from all liability upon, and to the extent of, payment of the redemption price for any partial redemption and upon the taking of all other actions required hereunder in connection with such redemption.

Section 4.6 <u>Effect of Redemption</u>. Notice of redemption having been duly given as aforesaid, and funds for payment of the redemption price being held by the Trustee, the Series 2007 Bonds so called for redemption shall, on the redemption date designated in such notice, become due and payable at the redemption price specified in such notice, interest on the Series 2007 Bonds so called for redemption shall cease to accrue, said Series 2007 Bonds shall cease to be entitled to any lien, benefit or security under the Resolution, and the Holders of said Series 2007 Bonds shall have no rights in respect thereof except to receive payment (but only from the funds provided in connection with such redemption) of the redemption price thereof (including interest, if any, accrued to the redemption date), without interest accruing on any funds held after the redemption date to pay such redemption price.

All Series 2007 Bonds fully redeemed pursuant to the provisions of this Article IV shall upon surrender thereof be cancelled by the Trustee, who shall deliver a certificate evidencing such cancellation to the University. The Trustee shall destroy such Series 2007 Bonds.

# Section 4.7 <u>Option to Tender for Purchase</u>.

(a) During any Weekly Rate Period for one or both series of the Series 2007 Bonds, any such Series 2007 Bond or any permitted portion thereof may be tendered for purchase at the option of the Holder thereof on any Business Day at the applicable Purchase Price, payable from the sources specified in Section 4.15 in immediately available funds upon delivery by the Holder of such Series 2007 Bond to the Trustee at its Principal Office of an irrevocable notice by telephone or Electronic Notice (promptly confirmed in writing) or written notice by 5:00 p.m. (New York City time) on any Business Day at least seven (7) days prior to the

Purchase Date, which states the principal amount of such Series 2007 Bond to be tendered for purchase and the Purchase Date. The Trustee shall keep a written record of the notice described in this Section 4.7(a).

- (b) If any Series 2007 Bond is to be purchased in part pursuant to Section 4.7(a), the amount so purchased and the amount not so purchased, if any, must each be an Authorized Denomination.
- (c) Any notice of tender of Series 2007 Bonds delivered to the Trustee in accordance with this Section 4.7 shall be irrevocable with respect to the purchase for which such notice was delivered and shall be binding upon any subsequent Bondholder or Beneficial Owner of the Series 2007 Bond to which it relates, including any Series 2007 Bond issued in exchange therefor or upon the registration of transfer thereof, and as of the date of such notice, the Holder or Beneficial Owner of the Series 2007 Bonds specified therein shall not have any right to optionally tender for purchase such Series 2007 Bonds prior to the date of purchase specified in such notice. The Trustee may conclusively assume that any person (other than a Holder) providing notice of optional tender pursuant to (a) above is the Beneficial Owner of the Series 2007 Bond to which such notice relates, and the Trustee shall not assume any liability in accepting such notice from any person whom it reasonably believes to be a Beneficial Owner of Series 2007 Bonds.

### Section 4.8 Mandatory Tender for Purchase.

- (a) The Series 2007 Bonds of a series shall be subject to mandatory tender for purchase at the applicable Purchase Price, payable from the sources specified in Section 4.15 in immediately available funds upon the occurrence of any of the events listed below:
  - (i) on the effective date of any new Interest Rate Period for such Series 2007 Bonds;
  - (ii) on the effective date of an Alternate Liquidity Facility with respect to such Series 2007 Bonds pursuant to Section 3.6 hereof;
  - (iii) in the event that the Liquidity Facility then in effect with respect to the Series 2007 Bonds of a series is not renewed, or an Alternate Liquidity Facility with respect to such Series 2007 Bonds is not delivered to the Trustee, on the first Business Day which is at least five (5) calendar days preceding the expiration date of the Liquidity Facility then in effect with respect to such Series 2007 Bonds; or
  - (iv) on the date which is the fifth (5th) calendar day, or the first Business Day thereafter if such day is not a Business Day, following receipt by the Trustee of a notice from the Liquidity Facility Provider providing the Liquidity Facility then in effect with respect to the Series 2007 Bonds of a Series to the effect that an event of default or termination

has occurred and is continuing under the Liquidity Facility and the Liquidity Facility will terminate after a given number of days from said notice.

- (b) The Trustee shall give Notice by Mail to the Holders of the related Series 2007 Bonds, not later than the thirtieth (30th) day prior to the date on which such Series 2007 Bonds are subject to mandatory tender pursuant to Section 4.8(a)(i), which notice shall be the same notice as the notice required by Section 2.4(c)(iii) or Section 2.4(d)(iii), as applicable.
- (c) If the Trustee has received a copy of a commitment to issue an Alternate Liquidity Facility, the Trustee shall give Notice by Mail to the Holders of the related Series 2007 Bonds, not later than the fifteenth (15th) day prior to the date on which such Series 2007 Bonds are subject to mandatory tender pursuant to Section 4.8(a)(ii), which notice shall state: (i) the expected effective date of such Alternate Liquidity Facility and (ii) that such Series 2007 Bonds shall be subject to mandatory tender for purchase on the date specified in such notice, in accordance with Section 4.8(a)(ii).
- (d) The Trustee shall give Notice by Mail to the Holders of the Series 2007 Bonds, not later than the fifteenth (15th) day prior to the date on which such Series 2007 Bonds are subject to mandatory tender pursuant to Section 4.8(a)(iii), which notice shall state that the Liquidity Facility then in effect with respect to such Series 2007 Bonds has not been renewed and an Alternate Liquidity Facility has not been delivered to the Trustee and that such Series 2007 Bonds are subject to mandatory tender for purchase in accordance with Section 4.7(a)(iii) hereof on the date determined in accordance with such Section 4.7(a)(iii) which date shall be specified in such notice.
- (e) The Trustee shall give Notice by Mail to the Holders of the related Series 2007 Bonds, not later than two (2) Business Days following receipt of the notice from a Liquidity Facility Provider described in Section 4.8(a)(iv) hereof, which notice by the Trustee shall state that the Trustee has received notice from the Liquidity Provider that an event of default or termination has occurred and is continuing under the Liquidity Facility and (i) that such Series 2007 Bonds are subject to mandatory tender for purchase in accordance with Section 4.8(a)(iv) hereof on the date determined in accordance with Section 4.8(a)(iv) which date shall be specified in such notice.
- (f) Upon the giving of notice to Bondholders of the mandatory tender of Series 2007 Bonds of a series for purchase pursuant to subsections (b), (c), (d), or (e) of this Section 4.8, such Series 2007 Bonds shall be subject to such mandatory tender for purchase notwithstanding that the events described in such notice have not occurred on the Purchase Date specified in such notice, including the failure to change the Interest Rate Period for the Series 2007 Bonds, the failure of an Alternate Liquidity Facility to go into effect, the renewal of the

existing Liquidity Facility for the Series 2007 Bonds, or the curing of any event of default or termination under the Liquidity Facility.

Section 4.9 Delivery of Series 2007 Bonds. (a) With respect to any Book-Entry Bond, delivery of such Series 2007 Bond to the Trustee in connection with any optional or mandatory tender for purchase pursuant to Section 4.7 or Section 4.8 shall be effected by the making of, or the irrevocable authorization to make, appropriate entries on the books of DTC or any DTC Participant to reflect the transfer of the beneficial ownership interest in such Series 2007 Bond to the account of the Trustee, or to the account of a DTC Participant acting on behalf of the Trustee. With respect to any Series 2007 Bond which is not a Book-Entry Bond, delivery of such Series 2007 Bond to the Trustee in connection with any optional or mandatory tender pursuant to Section 4.7 or Section 4.8 shall be effected by physical delivery of such Series 2007 Bond to the Trustee at its Principal Office, by 1:00 p.m. (New York City time) on the Purchase Date, accompanied by a notice of transfer thereof, in a form satisfactory to the Trustee, executed in blank by the Holder thereof with the signature of such Holder guaranteed in accordance with the guidelines set forth by one of the nationally recognized medallion signature programs.

- (b) If the Series 2007 Bonds are not Book-Entry Bonds, a principal amount of Series 2007 Bonds equal to the amount of Series 2007 Bonds successfully remarketed by the Remarketing Agent shall be delivered by the Trustee to such persons as shall be designated by the Remarketing Agent. Such Series 2007 Bonds shall be held available at the Principal Office of the Trustee and shall be picked up by the Remarketing Agent at or after 1:00 p.m. (New York City time) on the Purchase Date against delivery of funds for deposit into the respective Remarketing Account of the Bond Purchase Funds equal to the Purchase Price of such Series 2007 Bonds that have been remarketed. If the Series 2007 Bonds are Book-Entry Bonds, transfer of ownership of the remarketed Series 2007 Bonds shall be effected in accordance with the procedures of DTC and the DTC Participants for the delivery of funds for deposit into the respective Remarketing Account of the Bond Purchase Funds equal to the Purchase Price of such Series 2007 Bonds that have been remarketed.
- (c) Series 2007 Bonds purchased with funds in the respective Liquidity Facility Purchase Account of the Bond Purchase Funds shall be delivered and held in accordance with Section 4.13(d). Such Series 2007 Bonds shall be held available for the registration of transfer and delivery by the Trustee in accordance with Section 4.13(d) or in such manner as may otherwise be agreed between the Trustee and such Liquidity Facility Provider.

# Section 4.10 Series 2007 Bonds Deemed Purchased.

(a) If moneys sufficient to pay the Purchase Price of Series 2007 Bonds to be purchased pursuant to Section 4.7 or Section 4.8 shall be held by the Trustee on the date such Series 2007 Bonds are to be purchased, such Series 2007 Bonds shall be deemed to have been purchased for all purposes of this Resolution,

irrespective of whether or not such Series 2007 Bonds shall have been delivered to the Trustee or transferred on the books of DTC, and neither the former Holder nor the former Beneficial Owner of such Series 2007 Bonds shall have any claim thereon, under this Resolution or otherwise, for any amount other than the Purchase Price thereof.

(b) In the event of non-delivery of any Series 2007 Bond to be purchased pursuant to Section 4.7 or Section 4.8, the Trustee shall segregate and hold uninvested the moneys for the Purchase Price of such Series 2007 Bonds in trust, without liability for interest thereon, for the benefit of the former Holders of such Series 2007 Bonds, who shall, except as provided in the following sentence, thereafter be restricted exclusively to such moneys for the satisfaction of any claim for the Purchase Price of such Series 2007 Bonds. Any moneys which the Trustee shall segregate and hold in trust for the payment of the Purchase Price of any Series 2007 Bond and remaining unclaimed for four (4) years after the applicable Purchase Date shall to the extent permitted by law be paid, upon the written request of the University, to the University. After the payment of such unclaimed moneys to the University, the former Holder of such Series 2007 Bond shall look only to the University for the payment thereof.

# Section 4.11 <u>Bond Purchase Funds</u>.

- (a) <u>Series 2007A Bond Purchase Fund</u>. There shall be created and established with the Trustee a trust fund designated the "Series 2007A Bond Purchase Fund." There shall also be created and established separate accounts in the Series 2007A Bond Purchase Fund designated the "Series 2007A Remarketing Account" and the "Series 2007A Liquidity Facility Purchase Account."
  - (i) <u>Series 2007A Remarketing Account</u>. All moneys received by the Trustee on behalf of purchasers of Series 2007A Bonds pursuant to Section 4.14 shall be (i) deposited in the Series 2007A Remarketing Account within the Series 2007A Bond Purchase Fund, (ii) held in trust in accordance with the provisions hereof and (iii) paid out in accordance with Section 4.15.
  - (ii) <u>Series 2007A Liquidity Facility Purchase Account.</u> All moneys received by the Trustee as payments under any Liquidity Facility for the purchase of Series 2007A Bonds shall be (i) deposited in the Series 2007A Liquidity Facility Purchase Account within the Series 2007A Bond Purchase Fund, (ii) held in trust in accordance with the provisions hereof and (iii) paid out in accordance with Section 4.15.
  - (iii) The funds held by the Trustee in the Series 2007A Bond Purchase Fund shall not be considered Pledged Revenues as that term is defined in the Resolution. The moneys in the Series 2007A Bond Purchase Fund shall be used solely to pay the Purchase Price of Series 2007A Bonds as provided herein (or to reimburse the Liquidity Facility

Provider, if any, for payments made under the Liquidity Facility for such purpose) and may not be used for any other purposes. All amounts held in the Series 2007A Bond Purchase Fund and the Series 2007A Remarketing Account and the Series 2007A Liquidity Facility Purchase Account therein shall be held in trust by the Trustee for the benefit of the Bondholders or Beneficial Owners of tendered Series 2007A Bonds (provided that any amounts held in the Series 2007A Remarketing Account which are derived from the remarketing of Liquidity Facility Provider Bonds shall be held in trust for the benefit of the Liquidity Facility Provider).

- (b) <u>Series 2007B Bond Purchase Fund</u>. There shall be created and established with the Trustee a trust fund designated the "Series 2007B Bond Purchase Fund." There shall also be created and established separate accounts in the Series 2007B Bond Purchase Fund designated the "Series 2007B Remarketing Account" and the "Series 2007B Liquidity Facility Purchase Account."
  - (i) <u>Series 2007B Remarketing Account</u>. All moneys received by the Trustee on behalf of purchasers of Series 2007B Bonds pursuant to Section 4.14 shall be (i) deposited in the Series 2007B Remarketing Account within the Series 2007B Bond Purchase Fund, (ii) held in trust in accordance with the provisions hereof and (iii) paid out in accordance with Section 4.15.
  - (ii) <u>Series 2007B Liquidity Facility Purchase Account.</u> All moneys received by the Trustee as payments under any Liquidity Facility for the purchase of Series 2007B Bonds shall be (i) deposited in the Series 2007B Liquidity Facility Purchase Account within the Series 2007B Bond Purchase Fund, (ii) held in trust in accordance with the provisions hereof and (iii) paid out in accordance with Section 4.15.
  - (iii) The funds held by the Trustee in the Series 2007B Bond Purchase Fund shall not be considered Pledged Revenues as that term is defined in the Resolution. The moneys in the Series 2007B Bond Purchase Fund shall be used solely to pay the Purchase Price of Series 2007B Bonds as provided herein (or to reimburse the Liquidity Facility Provider, if any, for payments made under the Liquidity Facility for such purpose) and may not be used for any other purposes. All amounts held in the Series 2007B Bond Purchase Fund and the Series 2007B Remarketing Account and the Series 2007B Liquidity Facility Purchase Account therein shall be held in trust by the Trustee for the benefit of the Bondholders or Beneficial Owners of tendered Series 2007B Bonds (provided that any amounts held in the Series 2007B Remarketing Account which are derived from the remarketing of Liquidity Facility Provider Bonds shall be held in trust for the benefit of the Liquidity Facility Provider).

Section 4.12 <u>Deposit of Series 2007 Bonds</u>. The Trustee agrees to accept and hold all Series 2007 Bonds delivered to it pursuant to this Resolution in trust for the benefit of the respective Bondholders or Beneficial Owners which shall have so delivered such Series 2007 Bonds until the Purchase Price of such Series 2007 Bonds shall have been delivered to or for the account of or to the order of such Holders or Beneficial Owners pursuant to Section 4.13. Any Series 2007 Bonds registered for transfer to new purchasers and delivered to the Trustee as described in Section 4.15 shall be held in trust by the Trustee for the benefit of such new purchasers until delivery to such new purchasers.

# Section 4.13 Remarketing of Series 2007 Bonds.

# (a) Weekly Put Bonds.

- (i) Not later than 10:30 a.m. (New York City time) on each Business Day succeeding a day on which the Trustee receives a notice from a Holder of Series 2007 Bonds to be tendered pursuant to Section 4.7(a) hereof (the "Weekly Put Bonds"), the Trustee shall give notice by telephone to the Remarketing Agent, specifying the principal amount of Series 2007 Bonds for which it has received such notice, the names of the Holder or Holders thereof and the Purchase Date. The Remarketing Agent shall thereupon offer for sale at par plus accrued interest and use its best efforts to find purchasers for such Weekly Put Bonds, other than Liquidity Facility Provider Bonds, which shall be remarketed pursuant to Section 4.13(d).
- (ii) Not later than 11:00 a.m. (New York City time) on the Business Day immediately preceding the Purchase Date described in subparagraph (i) above, the Trustee shall give notice by telephone to the Remarketing Agent and the Liquidity Facility Provider of the accrued amount of the interest payable as of such Purchase Date, and confirming the aggregate principal amount of, the Weekly Put Bonds.
- (iii) Not later than 10:30 a.m. (New York City time) on each Purchase Date for Weekly Put Bonds, the Remarketing Agent shall give Electronic Notice (promptly confirmed in writing) to the University, the Liquidity Facility Provider and the Trustee of the amount of remarketing proceeds that the Remarketing Agent has received and the principal amount of Weekly Put Bonds which have not been remarketed in accordance with the Remarketing Agreement.
- (iv) If the Trustee does not possess sufficient remarketing proceeds to purchase all the Weekly Put Bonds to be purchased on any Purchase Date, the Trustee shall demand payment under the Liquidity Facility then in effect with respect to the Weekly Put Bonds prior to 11:00 a.m. (New York City time) on such Purchase Date so as to provide by 3:30 p.m. (New York City time) on such Purchase Date an amount sufficient,

together with the remarketing proceeds to be available for such purchase, calculated solely on the basis of the notice given by the Remarketing Agent pursuant to subparagraph (iii) above, to pay the Purchase Price of the Weekly Put Bonds. The Trustee shall immediately after such demand for payment give notice by telephone to the University of the amount, if any, of such demand.

# (b) Mandatory Tender Bonds.

- (i) Not later than 9:30 a.m. (New York City time) on each Purchase Date occurring pursuant to Section 4.8, the Trustee shall give notice by telephone to the Remarketing Agent and the Liquidity Facility Provider specifying the principal amount of all Outstanding Series 2007 Bonds which are subject to mandatory tender on such Purchase Date pursuant to Section 4.8 (the "Mandatory Tender Bonds") and the names of the registered owner or owners thereof. The Remarketing Agent shall thereupon offer for sale at par plus accrued interest and use its best efforts to find purchasers for such Mandatory Tender Bonds, other than Liquidity Facility Provider Bonds which shall be remarketed pursuant to Section 4.13(d). Provided, however, that the Remarketing Agent shall not remarket Mandatory Tender Bonds purchased pursuant to Section 4.8(a)(iii) or Section 4.8(a)(iv) until the Liquidity Facility is reinstated or an Alternate Liquidity Facility is provided and in place.
- (ii) Not later than 11:00 a.m. (New York City time) on the Business Day immediate preceding each Purchase Date described in Section 4.13(b)(i), the Trustee shall give notice by telephone to the Remarketing Agent and the Liquidity Facility Provider of the accrued amount of the interest payable as of the Purchase Date specified in such notice from the Trustee on, and confirming the aggregate principal amount of, the Mandatory Tender Bonds.
- (iii) With respect to any mandatory tender of Series 2007 Bonds that are being remarketed, not later than 10:30 a.m. (New York City time) on each Purchase Date with respect to Mandatory Tender Bonds, the Remarketing Agent shall give Electronic Notice (promptly confirmed in writing) to the University, the Liquidity Facility Provider and the Trustee of the amount of remarketing proceeds that the Remarketing Agent has received and the principal amount of Mandatory Tender Bonds which have not been remarketed in accordance with the Remarketing Agreement.
- (iv) If the Remarketing Agent's notice pursuant to Section 4.13(b)(iii) indicates that such Remarketing Agent does not have sufficient remarketing proceeds to purchase all the Mandatory Tender Bonds to be purchased on such Purchase Date, the Trustee shall demand payment under the Liquidity Facility then in effect with respect to the Mandatory Tender Bonds prior to 11:00 a.m. (New York City time) on such Purchase

Date so as to provide by 3:30 p.m. (New York City time) on such Purchase Date an amount sufficient, together with the remarketing proceeds to be available for such purchase, calculated solely on the basis of the notice given by the Remarketing Agent pursuant to Section 4.13(b)(iii), to pay the Purchase Price of the Mandatory Tender Bonds. The Trustee shall immediately after such demand for payment give notice to the University of the amount, if any, of such demand.

(c) <u>Limitation</u>. If a Liquidity Facility is in effect with respect to the Series 2007 Bonds, the Remarketing Agent shall not remarket any tendered Series 2007 Bonds to the University or the Regents. Furthermore, no tendered Series 2007 Bonds shall be remarketed if no Liquidity Facility is current and in place.

# (d) <u>Liquidity Facility Provider Bonds</u>.

- (i) Any Series 2007 Bonds purchased with payments made under a Liquidity Facility pursuant to Section 3.6(d) shall be registered in the name of, or in such name as otherwise directed by, the Liquidity Facility Provider and delivered to or upon the order of, or as otherwise directed by, such Liquidity Facility Provider; provided, that if such Series 2007 Bonds are Book-Entry Bonds, the Trustee shall immediately upon making any demand for payment on a Liquidity Facility pursuant to Section 3.6(d) direct DTC to cause any Series 2007 Bonds purchased with the proceeds of such demand to be transferred to such account at DTC as directed by the Liquidity Facility Provider, and such Series 2007 Bonds shall be held in the name of or for the account of the Liquidity Facility Provider or as may be directed by such Liquidity Facility Provider.
- (ii) Unless otherwise provided in the Liquidity Facility, Liquidity Facility Provider Bonds shall be remarketed by the Remarketing Agent prior to any other Series 2007 Bonds tendered for purchase hereunder and shall be remarketed at par in accordance with the terms of the Remarketing Agreement. Upon (A) receipt by the Trustee of written notification from the Liquidity Facility Provider that its Liquidity Facility has been fully reinstated with respect to principal and interest and (B) release by the Liquidity Facility Provider of any Liquidity Facility Provider Bonds which the Remarketing Agent has remarketed, such Series 2007 Bonds shall be made available to the purchasers thereof and shall no longer constitute Liquidity Facility Provider Bonds for purposes of this Resolution. The proceeds of any remarketing of Liquidity Facility Provider Bonds shall be paid to the Liquidity Facility Provider by the Trustee on such remarketing date in immediately available funds.
- (iii) The Trustee agrees that it will, immediately upon receipt, send to the Liquidity Facility Provider (by Electronic Notice promptly confirmed in writing) a copy of every notice received by it hereunder relating to any Liquidity Facility Provider Bonds.

- (iv) Notwithstanding anything to the contrary herein or in the Series 2007 Bonds, all obligations of the University under or in connection with any Liquidity Facility (including, without limitation, redemption terms and reimbursement obligations of the University to any participating Liquidity Facility Providers with respect to a Liquidity Facility and any Liquidity Facility Provider Bonds) shall be governed by the terms of such Liquidity Facility.
- (v) The Trustee shall provide to each Rating Agency then rating the Series 2007 Bonds written notice of the extension of any Liquidity Facility in effect with respect to the Series 2007 Bonds.

#### Section 4.14 Deposits into Respective Remarketing Accounts.

- (a) The terms of any sale by the Remarketing Agent of tendered Series 2007A Bonds shall provide for the payment of the Purchase Price for tendered Series 2007A Bonds by the Remarketing Agent to the Trustee for deposit in the Series 2007A Remarketing Account of the Series 2007A Bond Purchase Fund in immediately available funds at or before 2:00 p.m. (New York City time) on the Purchase Date. The Remarketing Agent shall cause to be paid to the Trustee on each Purchase Date for tendered Series 2007A Bonds the amount specified in the notice given by the Remarketing Agent pursuant to Section 4.13(a)(iii) or Section 4.13(b)(iii), as the case may be.
- (b) The terms of any sale by the Remarketing Agent of tendered Series 2007B Bonds shall provide for the payment of the Purchase Price for tendered Series 2007B Bonds by the Remarketing Agent to the Trustee for deposit in the Series 2007B Remarketing Account of the Series 2007B Bond Purchase Fund in immediately available funds at or before 2:00 p.m. (New York City time) on the Purchase Date. The Remarketing Agent shall cause to be paid to the Trustee on each Purchase Date for tendered Series 2007B Bonds the amount specified in the notice given by the Remarketing Agent pursuant to Section 4.13(a)(iii) or Section 4.13(b)(iii), as the case may be.

#### Section 4.15 Disbursements from the Respective Bond Purchase Funds.

# (a) Series 2007A Bond Purchase Fund.

(i) <u>Application of Moneys</u>. Moneys in the Series 2007A Bond Purchase Fund (other than the proceeds of any remarketing of Liquidity Facility Provider Bonds which shall be paid to the Liquidity Facility Provider on the remarketing date) shall be applied at or before 4:00 p.m. (New York City time) to the purchase of Series 2007A Bonds as provided herein by the Trustee, on each Purchase Date, as follows:

First, moneys constituting funds in the Series 2007A Remarketing Account shall be used by the Trustee on any Purchase

Date to purchase tendered Series 2007A Bonds at the Purchase Price.

Second, in the event such moneys in the Series 2007A Remarketing Account on any Purchase Date are insufficient to purchase all tendered Series 2007A Bonds, moneys in the Series 2007A Liquidity Facility Purchase Account on such Purchase Date shall be used by the Trustee at that time to purchase such remaining tendered Series 2007A Bonds at the Purchase Price thereof.

Notwithstanding anything to the contrary in this Section, if the Series 2007A Bonds are Book Entry Bonds, payment of the Purchase Price for tendered Series 2007A Bonds shall be made in accordance with the rules and procedures of DTC, including the timing requirements of DTC.

- (ii) Nondeliveries. The Trustee shall, as to any Series 2007A Bonds which have not been delivered to it as required by Section 4.9 hereof, (i) notify the Remarketing Agent in writing of such nondelivery and (ii) place a stop transfer against an appropriate amount of Series 2007A Bonds registered in the name of the Holder of such Series 2007A Bonds on the Bond Register. The Trustee shall place and maintain such stop transfer commencing with the lowest serial number Series 2007A Bond registered in the name of such Holder until stop transfers have been placed against an appropriate amount of Series 2007A Bonds until the appropriate Series 2007A Bonds are delivered to the Trustee. Upon such delivery, the Trustee shall make any necessary adjustments to the Bond Register.
- (iii) <u>Limitation</u>. Notwithstanding anything contained herein to the contrary, while any Liquidity Facility is in effect for the Series 2007A Bonds, the Trustee shall not use proceeds obtained by remarketing any Series 2007A Bonds to the University or the Regents to pay any portion of the Purchase Price of the tendered Series 2007A Bonds, and no such proceeds shall be deposited in the Series 2007A Remarketing Account of the Series 2007A Bond Purchase Fund.

# (b) <u>Series 2007B Bond Purchase Fund</u>.

(i) Application of Moneys. Moneys in the Series 2007B Bond Purchase Fund (other than the proceeds of any remarketing of Liquidity Facility Provider Bonds which shall be paid to the Liquidity Facility Provider on the remarketing date) shall be applied at or before 4:00 p.m. (New York City time) to the purchase of Series 2007B Bonds as provided herein by the Trustee, on each Purchase Date, as follows:

First, moneys constituting funds in the Series 2007B Remarketing Account shall be used by the Trustee on any Purchase Date to purchase tendered Series 2007B Bonds at the Purchase Price.

Second, in the event such moneys in the Series 2007B Remarketing Account on any Purchase Date are insufficient to purchase all tendered Series 2007B Bonds, moneys in the Series 2007B Liquidity Facility Purchase Account on such Purchase Date shall be used by the Trustee at that time to purchase such remaining tendered Series 2007B Bonds at the Purchase Price thereof.

Notwithstanding anything to the contrary in this Section, if the Series 2007B Bonds are Book Entry Bonds, payment of the Purchase Price for tendered Series 2007B Bonds shall be made in accordance with the rules and procedures of DTC, including the timing requirements of DTC.

- (ii) Nondeliveries. The Trustee shall, as to any Series 2007B Bonds which have not been delivered to it as required by Section 4.9 hereof, (i) notify the Remarketing Agent in writing of such nondelivery and (ii) place a stop transfer against an appropriate amount of Series 2007B Bonds registered in the name of the Holder of such Series 2007B Bonds on the Bond Register. The Trustee shall place and maintain such stop transfer commencing with the lowest serial number Series 2007B Bond registered in the name of such Holder until stop transfers have been placed against an appropriate amount of Series 2007B Bonds until the appropriate Series 2007B Bonds are delivered to the Trustee. Upon such delivery, the Trustee shall make any necessary adjustments to the Bond Register.
- (iii) <u>Limitation</u>. Notwithstanding anything contained herein to the contrary, while any Liquidity Facility is in effect for the Series 2007B Bonds, the Trustee shall not use proceeds obtained by remarketing any Series 2007B Bonds to the University or the Regents to pay any portion of the Purchase Price of the tendered Series 2007B Bonds, and no such proceeds shall be deposited in the Series 2007B Remarketing Account of the Series 2007B Bond Purchase Fund.

Section 4.16 <u>Limitations on Purchase Price and Other Matters</u>. Neither the University, the Trustee nor the 2007 Insurer shall have any obligation to purchase tendered Series 2007 Bonds that cannot be remarketed. A failure to remarket or purchase tendered Series 2007 Bonds shall not be an Event Default under the Resolution. The Pledged Revenues are not pledged to secure the Purchase Price. [Tendered Series 2007 Bonds that are not remarketed or purchased shall bear interest at the Bond Buyer Seven Day General Market Index (Non-AMT) plus 25 basis points or another rate acceptable the 2007 Insurer, however, in no event shall such bonds exceed the Maximum Rate.]

#### ARTICLE V

#### PLAN OF REFUNDING

Section 5.1 Defeasance of Refunded Bonds. In accordance with the provisions of the Resolution, it is hereby found and determined that pursuant to the Escrow Agreement, moneys and Investment Securities permitted under the Act and under the Resolution, the principal and interest on which, when due, will provide moneys which shall be sufficient to pay, when due, the principal or redemption price or prepayment amount, if applicable, as provided therein, and interest due and to become due on the Refunded Bonds on and prior to the applicable redemption or prepayment dates or maturity thereof will have been deposited with the Escrow Agent, and that upon compliance with the provisions of the Resolution, as provided for in the Escrow Agreement, all Refunded Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the Resolution. After all the Refunded Bonds shall have become due and payable upon maturity or pursuant to call for redemption, any investments remaining in the Escrow Account shall be liquidated and any proceeds of liquidation over and above the amount necessary to be retained for the payment of Refunded Bonds not yet presented for payment, including interest due and payable, shall be paid over to the Trustee for deposit into the Bond Fund.

Section 5.2 <u>Redemption of Refunded Bonds</u>. The Refunded Bonds specified in the Terms Certificate shall be irrevocably called for redemption pursuant to the Escrow Agreement, and notice of redemption shall be given as provided in the Escrow Agreement.

# Section 5.3 <u>Approval of Escrow Agreement; Deposits Into Escrow Account.</u>

- (a) The Escrow Agreement, in substantially the form presented at this meeting, with such changes, omissions, insertions and revisions as the Bursar shall approve, is hereby authorized, and the Bursar shall sign such Escrow Agreement, which signature shall evidence such approval. The Bursar is hereby authorized to do or perform all such acts as may be necessary or advisable to comply with the Escrow Agreement and to carry the same into effect.
- (b) The Refunding Proceeds of the sale of the Series 2007 Bonds specified the Terms Certificate, together with other available funds of the University as shall be specified in the Terms Certificate to also be filed with the Escrow Agent at the time of the delivery of the Series 2007 Bonds, shall be invested or reinvested as contemplated in the Act (except for any amount to be retained as cash) the Resolution and the Escrow Agreement and the obligations in which such moneys are so invested and any remaining cash shall be deposited into the Escrow Account created under the Escrow Agreement in trust with the Escrow Agent, all as specified in the Terms Certificate. The Investment Securities in which such moneys are so invested shall comply in all respects with the provisions of Section 57-504, Idaho Code.

(c) Upon establishment of the Escrow Account, the money, securities and funds pledged under the Resolution and other resolutions (including the Recreation Center Resolution with respect to the portion of the Refunded Bonds which are also Recreation Center Bonds), and all covenants, agreements and obligations of the University to the holders of the Refunded Bonds shall thereupon cease, terminate and thereupon become void and be discharged and satisfied.

#### ARTICLE VI

#### THE REMARKETING AGENT

Section 6.1 <u>Appointment, Duties and Qualifications of Remarketing</u>
Agent.

- (a) George K. Baum & Company is hereby appointed the Remarketing Agent. Any subsequent Remarketing Agent shall be appointed by the University, with the consent of the Liquidity Facility Provider and the 2007 Insurer, subject to the conditions set forth below. A Remarketing Agent shall be a bank, trust company or member of the National Association of Securities Dealers, Inc. organized and doing business under the laws of any state of the United States of America or the District of Columbia and shall have together with its parent, if any, a capitalization of at least fifteen million dollars (\$15,000,000) as shown in its or its parent's most recently published annual report.
- (b) The Regents shall enter into a Remarketing Agreement in substantially the form before the Regents at the time of adoption of this Resolution with each Remarketing Agent and such other parties as shall be appropriate, pursuant to which such Remarketing Agent shall designate its Principal Office and agree particularly (but without limitation): (i) to perform the duties and comply with the requirements imposed upon it by the Remarketing Agreement and this Resolution; and (ii) to keep such books and records with respect to its activities as Remarketing Agent as shall be consistent with prudent industry practice and to make such books and records available for inspection by each of the Trustee, the Liquidity Facility Provider and the University at all reasonable times. The Remarketing Agent shall not be entitled to any compensation from the Liquidity Facility Provider or the Trustee but rather shall only be entitled to compensation from the University.
- (c) The Regents shall furnish a copy of the Remarketing Agreement to the Trustee and the Liquidity Facility Provider.
- (d) The Remarketing Agent may resign by notifying the University, the Trustee, the Liquidity Facility Provider at least thirty (30) days before the effective date of such resignation. The University may, with the prior consent of the Liquidity Facility Provider, remove the Remarketing Agent pursuant to the terms of the Remarketing Agreement. In addition, the Remarketing Agent may terminate its obligations under the Remarketing Agreement pursuant to the terms thereof. Notwithstanding anything herein to the contrary, no removal or resignation of the Remarketing Agent shall be effective until a successor Remarketing Agent has been appointed and duly qualified and has accepted its obligations under this Supplemental Resolution and a Remarketing Agreement, provided, however, that the Remarketing Agent may resign without compliance with such requirement as long as the Remarketing Agent provides notice as required herein at least ninety (90) days before the effective date of such

resignation and such effective date is prior to April 1, 2011. Any appointment of a successor Remarketing Agent by the University shall be subject to the prior written consent of the Liquidity Facility Provider (if the Series 2007 Bonds are in an Interest Rate Period that requires a Liquidity Facility Provider) and the 2007 Insurer. The Liquidity Facility Provider shall be a third party beneficiary of the Remarketing Agreement.

#### ARTICLE VII

#### AMENDMENTS TO RESOLUTION

The University hereby adopts the Amendments to the Resolution as further described in this Article VII. [Consents to the 2007 Amendments described in Section 7.1 and Section 7.2 hereof have been obtained from (i) all bond insurers of Outstanding Bonds under the Resolution and (ii) the Holders of the Series 2007 Bonds upon the date of delivery of the same, and such consents are attached hereto as Exhibit B.] The 2007 Amendments described in Section 7.1 and Section 7.2 hereof shall take effect when pursuant to Section 10.1 of the Resolution the requisite percentage of Bonds Outstanding (60%) shall have consented to the 2007 Amendments described in Section 7.1 and Section 7.2 hereof.

#### Section 7.1 Amendments to Article I.

(a) Section 1.1 of Article I is hereby amended to include the following definitions:

"Direct Obligations" means noncallable Government Obligations.

"Government Obligations" means solely one or more of the following:

- (a) State and Local Government Series issued by the United States Treasury ("SLGS");
- (b) United States Treasury bills, notes and bonds, as traded on the open market;
  - (c) Zero Coupon United States Treasury Bonds; and
- (d) Any other direct obligations of or obligations unconditionally guaranteed by, the United States of America (including, without limitation, obligations commonly referred to as "REFCORP strips").
- Section 7.2 <u>Amendment to Article XII.</u> Subsection (2) of Section 12.1B is hereby amended to read as follows:
- (2) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Direct Obligations, or Investment Securities other than Direct Obligations (as approved by insurers of any Outstanding Bonds (including any Investment Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America)) the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or redemption price, as applicable, and interest due and to become due, if applicable, on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be,

without adversely affecting the tax-exempt status of the interest on said Bonds taxable under the Code, and

Section 7.3 The Amendments of the 2005A Supplemental Resolution. Those certain Amendments described in Section 506, 507, 508, 509(a), 509(b), 509(c), 509(e), 510 and 511 (collectively, the "2005A Springing Amendments") of the 2005A Supplemental Resolution were described in the 2005A Supplemental Resolution as taking effect "on the earlier to occur of (i) the date the Pre-2005A Bonds are no longer Outstanding; or (ii) the date upon which the Pre-2005A Bond Insurers and the requisite percentage of the Owners of the Pre-2005A Bonds shall have consented to the Amendments pursuant to Article 10.1 of the Resolution" (such language contained in the 2005A Resolution is herein referred to as the "2005A Effective Date Language"). Section 10.1A of the Resolution requires that amendments of the type of the 2005A Springing Amendments be consented to by the requisite percentage (60%) of all Bonds then Outstanding, not just the requisite percentage of the Pre-2005A Bonds Outstanding. Section 10.1A of the Resolution requires that any amendment of the Resolution to reduce the requisite percentage of Bonds required for the written consent to an amendment or modification of the Resolution be consented to by all of the of Registered Owners of all of the Bonds then Outstanding. The consent of all Outstanding Bonds to the 2005A Effective Date Language has not been obtained. Accordingly, the Regents hereby find and determine that the 2005A Effective Date Language is not consistent with the Resolution. Furthermore, in order to be consistent with the terms of Section 10.1A of the Resolution, the 2005A Effective Date Language is hereby amended to read: "on the earlier to occur of (i) the date the Pre-2005A Bonds are no longer Outstanding; or (ii) the date upon which the Pre-2005A Bond Insurers and the requisite percentage of the Owners of all Bonds then Outstanding shall have consented to the Amendments pursuant to Article 10.1 of the Resolution." [Consents to the 2005A Springing Amendments have been obtained from the Pre-2005A Bond Insurers] and upon the issuance of the Series 2007 Bonds the requisite percentage of the Owners of all Bonds Outstanding (\_\_\_\_\_ shall have consented to the 2005A Springing Amendments. Therefore, the Regents hereby deem the 2005A Springing Amendments to be effective upon the issuance of the Series 2007 Bonds.

[As of the issuance of the Series 2007 Bonds, the elimination of the Reserve Account Requirement described in Section 507 of the 2005A Supplemental Resolution (the "Reserve Elimination Amendment") shall hereafter be applied to the Series 2007 Bonds. The application of the Reserve Elimination Amendment will be such that the Holders of the Series 2007 Bonds shall have no security interest in the Debt Service Reserve Account.]

#### ARTICLE VIII

# **MISCELLANEOUS**

Section 8.1 <u>Governing Law</u>. By the acceptance of the Series 2007 Bonds, the Holders of the Series 2007 Bonds shall be deemed to agree that the rights of the Holders of the Series 2007 Bonds shall be governed by the laws of the State of Idaho.

Section 8.2 <u>Partial Invalidity</u>. If any one or more of the covenants or agreements, or portions thereof, provided in this Supplemental Resolution on the part of the University (or of the Trustee or of any paying agent) to be performed should be contrary to law, then such covenant or covenants, such agreement or agreements, or such portions thereof, shall be null and void and shall be deemed separable from the remaining covenants and agreements or portions thereof and shall in no way affect the validity of this Supplemental Resolution or of the Series 2007 Bonds; but the Holders of the Series 2007 Bonds and the Liquidity Facility Provider shall retain all the rights and benefits accorded to them under the Act or any other applicable provisions of law.

Section 8.3 <u>Beneficiaries</u>. This Supplemental Resolution shall be deemed to be a contract between the Regents, the Trustee, the Holders of the Series 2007 Bonds, and the Liquidity Facility Provider. Furthermore, the Liquidity Facility Provider shall be deemed to be a third party beneficiary of this Supplemental Resolution.

Section 8.4 <u>Savings Clause</u>. Except as amended by this Supplemental Resolution, the Resolution shall remain in full force and effect.

Section 8.5 <u>Conflicting Resolutions</u>. All resolutions or parts thereof in conflict herewith are, to the extent of such conflict, hereby repealed.

[The next page is the signature page.]

# **ATTACHMENT 4**

Secretary

ADOPTED AND APPROVED this 11th day of October, 2007.

THE REGENTS OF THE UNIVERSITY OF IDAHO

[SEAL]		
	By:President	
	Trestdent	
	By:	
	Bursar	
	ATTEST:	

#### **EXHIBIT A**

#### FORM OF SERIES 2007[A][B] BOND

UNITED STATES OF AMERICA	
STATE OF IDAHO	

# UNIVERSITY OF IDAHO ADJUSTABLE RATE GENERAL REVENUE [REFUNDING] BONDS SERIES 2007[A][B]

Initial Term Interest Rate	Maturity Date	Mandatory Tender Date	<u>Dated Date</u>	<u>CUSIP</u>
Registered Owner:	CEDE & CO.			
Principal Amount:		DOLLA	\RS*********	******

KNOW ALL MEN BY THESE PRESENTS that the University of Idaho, a body politic and corporate and an institution of higher education of the State of Idaho (the "University"), for value received, hereby promises to pay, from the Bond Fund hereinafter defined, to the registered owner identified above, or registered assigns, on the maturity date specified above, the principal sum indicated above, and to pay interest thereon from the Bond Fund from the dated date hereof, or the most recent date to which interest has been paid or duly provided for, at the rate per annum specified above, payable on each Payment Date, until the date of maturity or prior redemption of this Bond.

This Bond is an obligation of the University payable solely in accordance with the terms hereof and is not an obligation, general, special, or otherwise of the State of Idaho, does not constitute a debt, legal, moral, or otherwise, of the State of Idaho, and is not enforceable against the State, nor shall payment hereof be enforceable out of any funds of the University other than the revenues, fees, and charges pledged thereto in the Resolution (defined herein). Pursuant to the Resolution, certain revenues have been pledged and will be set aside into the Bond Fund (as defined in the Resolution) to provide for the prompt payment of the principal of, interest on, and redemption price of the Bonds of which this Bond is a part. For a more particular description of the Bond Fund, the revenues to be deposited therein, and the nature and extent of the security afforded thereby, reference is made to the provisions of the Resolution.

The principal of and premium, if any, on this Bond are payable in lawful money of the United States of America to the registered owner hereof whose name and address shall appear on the registration books of the University (the "Bond Register") maintained by the Corporate Trust Department of Wells Fargo Bank, N.A. (the "Trustee"), in Boise,

Idaho. Interest payments on this Bond shall be made by the Trustee to the person appearing on the Bond Register as the registered owner hereof as of the applicable Record Date (as hereinafter defined), such interest to be paid by the Trustee to such registered Holder (i) by check mailed by first class mail on the Payment Date, to such Holder's address as it appears on the Bond Register, or (ii) upon written request at least three Business Days prior to the applicable Record Date of Liquidity Facility Provider (with respect to the Liquidity Facility Provider Bonds) or of the Holder of all of the Outstanding Bonds or the Holder of Outstanding Bonds aggregating not less than \$1,000,000 in principal amount, by wire transfer in immediately available funds at an account maintained in the United States at such wire address as such Holder shall specify in its written notice (any such written request shall remain in effect until rescinded in writing by such Holder); except, in each case, that, if and to the extent that there shall be a default in the payment of the interest due on such Payment Date, such defaulted interest shall be paid to the Holder in whose name this Bond is registered on the Bond Register at the close of business on a special record date to be fixed by the Trustee. The term "Record Date" means the last Business Day prior to any Payment Date during a Weekly Interest Rate Period or any Term Interest Rate Period of less than one year, and the fifteenth day of the month preceding any Payment Date during a Term Interest Rate Period of one year or longer. Principal shall be paid to the registered owner upon presentation and surrender of this Bond at the principal corporate trust office of the Trustee on or after the date of maturity or prior redemption.

This Bond is one of the Adjustable Rate General Revenue [Refunding] Bonds, Series 2007[A][B], of the University (the "Series 2007 Bonds") issued under the provisions of Chapter 38, Title 33, Idaho Code, for the purpose of providing funds with which to (i) [refund certain outstanding bonds of the University (the "Refunded Bonds")] [finance certain electrical equipment upgrades and capital maintenance on, and replacement of a portion of the University's utility corridor, central steam plant, and central chiller, and related improvements] (the "Series 2007B Project")] and (ii) pay issuance expenses properly incident thereto. In addition to the Series 2007 Bonds, the University is also issuing its Adjustable Rate General Revenue [Refunding] Bonds, Series 2007[A][B] Bonds (the "Series 2007[A][B] Bonds"). The principal of, interest on, and redemption price of the Series 2007 Bonds is payable from revenues and funds of the University pledged therefor and certain other fees and revenues, as more particularly set forth in the Resolution.

The Series 2007 Bonds are issuable as fully registered bonds without coupons in Authorized Denominations of (i) \$100,000 or any integral multiple of \$5,000 in excess thereof during any Weekly Interest Rate Period or Term Interest Rate Period of less than one year; and (ii) \$5,000 or any integral multiple in excess thereof during any Term Interest Rate Period of one year or longer upon satisfaction of certain conditions contained in the Resolution. Subject to the limitations and upon payment of the charges, if any, provided in the Resolution, Bonds may be exchanged at the Principal Office of the Trustee for a like aggregate principal amount of Series 2007 Bonds of other Authorized Denominations.

This Series 2007 Bond is transferable by the Holder hereof, in person, or by its attorney duly authorized in writing, at the Principal Office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Resolution, and upon surrender and cancellation of this Series 2007 Bond. Upon such transfer a new fully registered Bond or Bonds of like tenor in Authorized Denominations, for the same aggregate principal amount, will be issued to the transferee in exchange herefor.

The term of the Series 2007 Bonds will be divided into consecutive Interest Rate Periods, as provided in the Resolution, during each of which the Series 2007 Bonds shall bear interest at Weekly Interest Rates or Term Interest Rates. The initial Interest Rate Period for the Series 2007 Bonds shall be a Term Interest Rate Period ending on the day before the Mandatory Tender Date specified above. The Interest Rate Period for the Series 2007 Bonds may be subsequently changed from time to time by the University, without the consent of the Holders of the Series 2007 Bonds, as provided in the Resolution. The Trustee shall give notice to Holders of the Series 2007 Bonds, as provided in the Resolution, prior to any change in the Interest Rate Period.

Each Bond shall bear interest from the Payment Date to which interest has been paid as of the date on which it is authenticated or, if it is authenticated on or before the Record Date for the first Payment Date, from the Issue Date; provided, however, that if, at the time of authentication of any Bond, interest is in default on Outstanding Bonds, such Bond shall bear interest from the Payment Date to which interest has previously been paid or made available for payment on the Outstanding Bonds. Notwithstanding the foregoing, if any Bond is authenticated as of a day during the period from the day after the Record Date immediately preceding an Payment Date to such Payment Date, inclusive, such Bond shall bear interest from such Payment Date; provided, however, that if the Regents shall default in the payment of interest due on such Payment Date, then such Bond shall bear interest as provided in the preceding sentence. Both the principal of and premium, if any, on the Series 2007 Bonds shall be payable upon surrender thereof at the Principal Office of the Trustee.

Interest on the Series 2007 Bonds will be paid on each Payment Date provided that if any Payment Date is not a Business Day, such interest shall be paid as provided above on the next succeeding Business Day with the same effect as if made on the day such payment was due. Except during a Term Interest Rate Period of one year or longer, interest on the Series 2007 Bonds shall be computed upon the basis of a 365-day or 366-

day, as applicable, year for the number of days actually elapsed. During any Term Interest Rate Period of one year or longer, interest on the Series 2007 Bonds shall be computed upon the basis of a 360-day year, consisting of twelve 30-day months. Interest on the Series 2007 Bonds shall bear interest from and including the Issue Date until payment of the principal or redemption price thereof has been made or provided for on the due date thereof, whether at maturity, upon redemption or otherwise.

THE FOREGOING PROVISIONS NOTWITHSTANDING, IN NO EVENT SHALL THE INTEREST RATE BORNE BY BONDS AT ANY TIME EXCEED [10%] PER ANNUM.

George K. Baum & Company (the "Remarketing Agent") has been appointed as Remarketing Agent (as described in the Resolution). The Remarketing Agent may be removed or replaced in accordance with the provisions of the Remarketing Agreement and the Resolution.

Determination of the interest rate by the Remarketing Agent shall be conclusive and binding upon the Bondholders, the Regents, the University, the Liquidity Facility Provider, if any, and the Trustee.

Any notice of tender of Bonds delivered to the Trustee in accordance with the Resolution shall be irrevocable with respect to the purchase for which such notice was delivered and shall be binding upon any subsequent Bondholder of the Bond to which it relates, including any Bond issued in exchange therefor or upon the registration of transfer thereof, and as of the date of such notice, the Holder of the Series 2007 Bonds specified therein shall not have any right to optionally tender for purchase such Bonds prior to the date of purchase specified in such notice.

This Bond shall be subject to mandatory tender for purchase at a purchase price equal to 100% of the principal amount hereof, plus accrued interest, if any, to the Purchase Date: (a) on the effective date of any new Interest Rate Period for this Bond, (b) on the effective date of an Alternate Liquidity Facility provided with respect to this Bond, (c) in the event the Liquidity Facility with respect to the Series 2007 Bonds is not renewed or replaced with an Alternate Liquidity Facility, or (d) upon receipt of certain notices from the Liquidity Facility Provider.

So long as this Bond is held in book-entry form, delivery of this Bond to the Trustee in connection with any optional or mandatory tender for purchase pursuant to the Resolution shall be effected by the making of, or the irrevocable authorization to make, appropriate entries on the books of DTC or any DTC Participant to reflect the transfer of the beneficial ownership interest in such Bond to the account of the Trustee, or to the account of a participant acting on behalf of the Trustee. If this Bond is not held in bookentry form, delivery of this Bond to the Trustee in connection with any optional or mandatory tender pursuant to the Resolution shall be effected by physical delivery of such Bond to the Trustee at its Principal Office, by 1:00 p.m. (New York City time) on the Purchase Date, accompanied by an instrument of transfer thereof, in a form satisfactory to the Trustee, executed in blank by the Holder thereof with the signature of

such Holder guaranteed in accordance with the guidelines set forth by one of the nationally recognized medallion signature programs.

The Series 2007 Bonds are initially supported by a standby bond purchase agreement issued by Dexia Credit Local, acting through its New York Branch, in favor of the Trustee. This standby bond purchase agreement entitles the Trustee to draw an amount sufficient to pay the principal of the Series 2007 Bonds and up to \_\_\_\_ days' interest accrued on the Series 2007 Bonds at a maximum rate of [ten percent (10%)] per annum. The initial standby bond purchase agreement expires \_\_\_\_\_, or on the earlier occurrence of events specified in the standby bond purchase agreement. Upon the occurrence of certain events specified in the initial standby bond purchase agreement, the issuer thereof may terminate the standby bond purchase agreement. Prior to its expiration, unless the University has provided another standby bond purchase agreement meeting the requirements of the Resolution, and prior to the termination of the standby bond purchase agreement, in certain cases the Series 2007 Bonds will be subject to mandatory tender for purchase. As provided in the Resolution, the University may replace any standby bond purchase agreement with an alternate standby bond purchase agreement meeting the requirements of the Resolution.

So long as this Bond is held in book-entry form, payment of the Purchase Price of this Bond in connection with any optional or mandatory tender shall be effected in accordance with the Representation Letter.

If moneys sufficient to pay the Purchase Price of Bonds to be purchased pursuant to the Resolution shall be held by the Trustee on the Purchase Date, any such Bonds to be so purchased which are not delivered by the Holders thereof to the Trustee or transferred to the Trustee on the registration books of DTC, as applicable, on the Purchase Date will be deemed to have been delivered for purchase, or transferred on the registration books of DTC, as applicable, on such date and to have been purchased. The former Holders of such Bonds, or Beneficial Owners with respect to Book-Entry Bonds, will thereafter have no rights with respect to such Bonds except to receive payment of the Purchase Price therefor upon surrender of such Bonds to the Trustee or the transfer, on the registration books of DTC, of the beneficial interest in such Book-Entry Bonds.

BY ACCEPTANCE OF THIS BOND, THE HOLDER HEREBY AGREES THAT IF THIS BOND IS TO BE PURCHASED AND IF MONEYS SUFFICIENT TO PAY THE PURCHASE PRICE SHALL BE HELD BY THE TRUSTEE ON THE PURCHASE DATE, THIS BOND SHALL BE DEEMED TO HAVE BEEN PURCHASED AND SHALL BE PURCHASED ACCORDING TO THE TERMS OF THE RESOLUTION FOR ALL PURPOSES OF THE RESOLUTION, WHETHER OR NOT THIS BOND SHALL HAVE BEEN DELIVERED TO THE TRUSTEE, AND THE HOLDER OF THIS BOND SHALL HAVE NO CLAIM HEREON, UNDER THE RESOLUTION OR OTHERWISE, FOR ANY AMOUNT OTHER THAN THE PURCHASE PRICE HEREOF.

The Series 2007 Bonds are subject to redemption, including mandatory sinking fund redemption, with notice, in whole, or in part, in Authorized Denominations, prior to their maturity date, as described in the Resolution.

\*\*The Series 2007 Bonds are initially issued in the form of a separate single certificated fully registered Bond for each maturity, and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC").\*\*

\*\*Unless this Bond is presented by an Authorized Officer of DTC to the University or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an Authorized Officer of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an Authorized Officer of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.\*\*

\*\*Upon any partial redemption of this Bond, Cede & Co., in its discretion, may request the Trustee to authenticate a new Series 2007 Bond or shall make an appropriate notation on this Bond indicating the date and amount of prepayment, except in the case of final maturity, in which case this Bond must be presented to the Trustee prior to payment.\*\*

\*\*The Series 2007 Bonds shall not be transferable or exchangeable except as set forth in the Resolution.\*\*

[This Bond is transferable by the registered owner hereof in person or by his attorney duly authorized in writing upon presentation and surrender of this Bond at the principal corporate trust office of the Trustee. Upon such transfer, a new Bond, of the same denomination, maturity, and interest rate will be issued to the transferee in exchange therefor.]

Reference is hereby made to the Resolution for the covenants and declarations of the University and other terms and conditions under which this Bond and the Series 2007 Bonds of this issue have been issued. The covenants contained herein and in the Resolution may be discharged by making provisions at any time for the payment of the principal of and interest on this Bond in the manner provided in the Resolution.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Resolution until the Certificate of Authentication hereon shall have been manually signed by the Trustee.

IT IS HEREBY CERTIFIED AND DECLARED that all acts, conditions, and things required by the Constitution and statutes of the State of Idaho to exist, to have happened, been done, and performed precedent to and in the issuance of this Bond have happened, been done, and performed, and that the issuance of this Bond and the Series 2007 Bonds of this issue does not violate any Constitutional, statutory, or other limitation upon the amount of bonded indebtedness that the University may incur.

#### **ATTACHMENT 4**

IN WITNESS WHEREOF, the Board of Regents of the University of Idaho (the "Regents"), has caused this Bond to be executed by the manual or facsimile signature of the President of the Regents and of the Bursar of the University and attested by the manual or facsimile signature of the Secretary of the Regents, and a facsimile or original of the official seal of the University to be imprinted hereon, as of the dated date set forth above.

	THE REGENTS OF THE UNIVERSITY OF IDAHO
	By:President
	COUNTERSIGNED:
(SEAL)	
	By:Bursar
ATTEST:	
By:Secretary	_
·	AUTHENTICATION
This Bond is one of the Adjustable	e Rate General Revenue [Refunding] Bonds, Idaho, described in the within-mentioned
	WELLS FARGO BANK, N.A., as Trustee
	By:
	Authorized Signature
Date of Authentication:	

DMWEST #6546679 v6

#### **VALIDATION CERTIFICATE**

I hereby certify that I have examined a certified copy of the record of proceedings taken preliminary to and in the issuance of the within bond; that such proceedings and such bond conform to and show lawful authority for the issuance thereof in accordance with the provisions of Title 57, Chapter 5 and Title 33, Chapter 38, Idaho Code, as amended. Such bond has been issued in accordance with the Constitution and laws of the State of Idaho and shall in any suit, action or proceeding involving its validity be conclusively deemed to be fully authorized by Title 57, Chapter 5 and Title 33, Chapter 38, Idaho Code, and to have been issued, sold, executed, and delivered in conformity with the Constitution and laws of the State of Idaho and to be valid and binding and enforceable in accordance with its terms, and such bond is incontestable for any cause.

By:		
	Attorney General	

#### STATEMENT OF INSURANCE

Financial Security Assurance Inc. ("Financial Security"), New York, New York, has delivered its municipal bond insurance policy with respect to the scheduled payments due of principal of and interest on this Bond to Wells Fargo Bank, N.A., Boise, Idaho, or its successor, as paying agent for the Bonds (the "Paying Agent"). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from Financial Security or the Paying Agent.

# ASSIGNMENT

FOR VALUE RECEIVED,	,
the undersigned sells, assigns and transfers unto:	
(Social Security or Other Identifying	ng Number of Assignee)
(Please Print or Typewrite Name a	nd Address of Assignee)
	to transfer the said
bond on the books kept for registration thereof premises.	f with full power of substitution in the
Dated:	
	Signature:
	_
	NOTICE: The signature on this assignment must correspond with the name(s) of the Registered owner as it appears upon the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.
SIGNATURE GUARANTEED:	
NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company and must correspond with the name as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.	

# **ATTACHMENT 4**

# **EXHIBIT B**

CONSENTS OF UNDERWRITER (AS INITIAL HOLDER OF THE SERIES 2007 BONDS) AND PRE-2005A BOND INSURERS

# **EXHIBIT C**

#### **PARAMETERS**

#### **SERIES 2007A BONDS:**

Principal amount not to exceed \$70,000,000

Initial Term Interest Rate not to exceed 5.00%

Underwriter's Discount or fee not to exceed 0.425%

Final Maturity not to exceed 35 years from date of issuance.

#### SERIES 2007B BONDS:

Principal amount not to exceed \$40,000,000

Initial Interest Rate not to exceed 5.00%

Underwriter's Discount or fee not to exceed 0.425%

Final Maturity not to exceed 35 years from date of issuance.

#### **EXHIBIT D**

#### TERMS CERTIFICATE

In connection with a Supplemental Resolution of the Regents (the "Regents") of the University of Idaho adopted on October 11, 2007 (the "2007 Supplemental Resolution") authorizing the issuance and sale of the Regent's Adjustable Rate General Revenue Refunding Bonds, Series 2007A (the "Series 2007A Bonds") and Adjustable Rate General Revenue Bonds, Series 2007B (the "Series 2007B Bonds" and collectively with the Series 2007A Bonds, the "Series 2007 Bonds"), the undersigned hereby executes and delivers this Terms Certificate (as such term is defined in the 2007 Supplemental Resolution) specifying certain terms of the Series 2007 Bonds:

#### Series 2007A Bonds:

a.	Principal amount
b.	Dated Date:
c.	Date of Delivery:
d.	Closing Date:, or such other date agreed upon by the Underwriters and the University
e.	Purchase Price: (not less than the par amount thereof.)
f.	Underwriter's discount or fee of \$
g.	Final Maturity
h.	Mandatory Sinking Fund Redemption Schedule (See Attached Schedule A-1 as attached hereto)
i.	Sources and Uses of Series 2007B Bond proceeds:
j.	Initial Tem Interest Rate:%
k.	Refunded Bonds:
1.	Mandatory Tender Date for Initial Term Interest Rate Period:
	Series 2007B Bonds:
a.	Principal amount
b.	Dated Date:

# **ATTACHMENT 4**

c.	Date of Delivery:	
d.	Closing Date:Underwriters and the University	_, or such other date agreed upon by the sity
e.	Purchase Price:	(not less than the par amount thereof.)
f.	Underwriter's discount or fee	of \$
g.	Final Maturity	
h.	Mandatory Sinking Fund Re A-1 as attached hereto)	edemption Schedule (See Attached Schedule
i.	Sources and Uses of Series 20	007B Bond proceeds:
j.	Initial Tem Interest Rate:	%
k.	Refunded Bonds:	
1.	Mandatory Tender Date	for Initial Term Interest Rate Period:
	nted and delivered thisutpplemental Resolution.	, 2007 on behalf of the Regents pursuant
		THE REGENTS OF THE UNIVERSITY OF IDAHO
		By:Bursar

# **ATTACHMENT 4**

# Schedule A-1

#### Series 2007A Bonds

Redemption Date (April 1)

Principal Amount

\$

# Series 2007B Bonds

Redemption Date (April 1)

Principal Amount

\$

Hogan & Hartson Draft 08/31/07

#### BOND PURCHASE AGREEMENT

October \_\_\_, 2007

The Regents of the University of Idaho University of Idaho Administration Building, Room 211 851 Campus Drive Moscow, Idaho 83844-3168

# THE REGENTS OF THE UNIVERSITY OF IDAHO Adjustable Rate General Revenue Bonds

\$	\$
Revenue Refunding Bonds, Series 2007A	Revenue Bonds, Series 2007B

The undersigned, George K. Baum & Company (the "Underwriter"), offers to enter into this Bond Purchase Agreement (this "Bond Purchase Agreement") with the Regents of the University of Idaho (the "Regents") which, upon your acceptance of this offer, will be binding upon you and upon the Underwriter. Terms not otherwise defined herein shall have the same meanings as set forth in the Resolution described below.

This offer is made subject to your acceptance of this Bond Purchase Agreement on or before 5:00 p.m. Pacific Daylight Time, on October \_\_\_, 2007, and, if not so accepted by the Regents, will be subject to withdrawal by the Underwriter upon notice delivered to the Regents at its address set forth above, at any time prior to the acceptance hereof by the Regents. This offer is also subject to the provisions included in this Bond Purchase Agreement.

1. <u>Purchase and Sale of the Series 2007 Bonds</u> . Upon the terms and conditions and
in reliance upon the respective representations, warranties and covenants herein, the Underwrite
hereby agrees to purchase from the Regents, and the Regents agree to sell to the Underwriter, al
(but not less than all) of the Regents' (i) \$ aggregate principal amount of Adjustable
Rate General Revenue Refunding Bonds, Series 2007A (the "Series 2007A Bonds") and
(ii) \$ aggregate principal amount of Adjustable Rate General Revenue Bonds, Series
2007B (the "Series 2007B Bonds" and, collectively with the Series 2007A Bonds, the "Series
2007 Bonds"), at an aggregate purchase price (the "Purchase Price") equal to \$
<b>2007 Bonds</b> "), at an aggregate purchase price (the " <b>Purchase Price</b> ") equal to \$ (representing the aggregate principal amount of the Series 2007 Bonds less an Underwriter's
(representing the aggregate principal amount of the Series 2007 Bonds less an Underwriter's
(representing the aggregate principal amount of the Series 2007 Bonds less an Underwriter's discount of \$). Payment of the Purchase Price for the Series 2007 Bonds shall be
(representing the aggregate principal amount of the Series 2007 Bonds less an Underwriter's discount of \$). Payment of the Purchase Price for the Series 2007 Bonds shall be made through wire transfer of immediately available federal funds to the Trustee for the account
(representing the aggregate principal amount of the Series 2007 Bonds less an Underwriter's discount of \$). Payment of the Purchase Price for the Series 2007 Bonds shall be made through wire transfer of immediately available federal funds to the Trustee for the account of the Regents at or prior to the Closing (as defined herein), and, upon satisfaction of the

The Series 2007 Bonds will be issued in accordance with the provisions of the Educational Institutions Act, constituting chapter 38, Title 33, Idaho Code (the "Act"), the Constitution of the State of Idaho (the "State") and pursuant to a Supplemental Resolution with respect to the Series 2007 Bonds adopted by the Regents on October \_\_\_, 2007 (the "2007 Supplemental Resolution") supplementing that certain Resolution adopted by the Regents on November 22, 1991 (as subsequently amended and supplemented and, together with the 2007 Supplemental Resolution, referred to herein as the "Resolution"). Each Series of the Series 2007 Bonds will mature on April 1, 2041. The Series 2007A Bonds will bear interest initially at a Term Interest Rate of \_\_\_\_\_% per annum during the Initial Term Interest Rate Period expiring on April 1, 2011. The Series 2007B Bonds will bear interest initially at a Term Interest Rate of \_% per annum during the Initial Term Interest Rate Period expiring on April 1, 2018. Each Series of the Series 2007 Bonds shall be subject to mandatory tender for purchase on the last day of the respective Initial Term Interest Rate Period, and, upon mandatory tender, may be converted to a Weekly Interest Rate Period or another Term Interest Rate Period as provided in the Resolution. Payment of the purchase price for each Series of the Series 2007 Bonds tendered for purchase on such mandatory tender date and not remarketed will be supported by a Standby Bond Purchase Agreement dated as of October 1, 2007 with respect to each such Series of the Series 2007 Bonds (collectively, the "Standby BPA") provided by Dexia Credit Local, acting through its New York Branch (the "Initial Liquidity Facility Provider").

The scheduled payment of principal of and interest on the Series 2007 Bonds when due will be guaranteed under a municipal bond insurance policy (the "**Policy**") to be issued concurrently with the delivery of the Series 2007 Bonds by Financial Security Assurance Inc. (the "**Insurer**").

The Regents will apply the proceeds of the Series 2007 Bonds to refund certain outstanding bonds of the Regents, to finance certain capital improvements at the campus of the University of Idaho (the "University"), and to pay costs of issuance associated with the Series 2007 Bonds.

George K. Baum & Company will serve as a remarketing agent for the Series 2007 Bonds (the "**Remarketing Agent**") pursuant to a Remarketing Agreement, dated as of October 1, 2007 (the "**Remarketing Agreement**"), between the Regents and the Remarketing Agent.

- 2. <u>Authority of the Underwriter</u>. The Underwriter hereby represents and warrants that it has full corporate power and authority to execute and deliver this Bond Purchase Agreement and to perform all acts on its part herein required.
- 3. Public Offering of the Series 2007 Bonds. The Underwriter agrees to make a bona fide public offering of the Series 2007 Bonds at not in excess of the initial public offering price therefor as set forth on the cover page of the final Official Statement, as defined below. In connection with the public offering of the Series 2007 Bonds, the Regents shall cause the preparation of the Official Statement, with completion of information relating to the interest rate, selling compensation, aggregate principal amount, delivery date, ratings and other terms of the Series 2007 Bonds depending on such matters as acceptable to the Regents and the Underwriter to reflect such terms as contemplated by this Bond Purchase Agreement and with such other

additions, deletions and revisions as shall be acceptable to the Regents and the Underwriter. Copies of the Official Statement, signed by authorized representatives of the Regents will be delivered to the Underwriter within seven (7) business days of the date of this Bond Purchase Agreement, in sufficient quantity as may be reasonably requested by the Underwriter. The Regents hereby authorize the use by the Underwriter of the Official Statement in connection with the offering of the Series 2007 Bonds to the public.

The Underwriter reserves the right (a) to over-allot or effect transactions that stabilize or maintain the market price of the Series 2007 Bonds at a level above that which might otherwise prevail in the open market, and (b) to discontinue such stabilizing, if commenced, at any time. A public offering shall include an offering to a representative number of institutional investors or registered investment companies, regardless of the number of such investors to which the Series 2007 Bonds are sold.

Following the Closing Date, the Underwriter shall send, by first class mail or equally prompt means, a copy of the Official Statement to both the Municipal Securities Rulemaking Board and a nationally recognized municipal securities information repository designated as such by the Securities and Exchange Commission.

The Regents agree that if, through the 25th day after the Closing Date, the Regents become aware of the occurrence of an event that might cause the Official Statement to contain an untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, to notify the Underwriter, and, if in the opinion of the Underwriter such event requires the preparation and distribution of a supplement or an amendment to the Official Statement, the Regents, at their expense, at the request of the Underwriter, shall cause such a supplement or an amendment, satisfactory to the Underwriter, to be prepared and delivered to the Underwriter in such quantities as the Underwriter may reasonably request.

- 4. <u>Representations, Warranties and Agreements by the Regents</u>. In order to induce the Underwriter to enter into this Bond Purchase Agreement, and in consideration of the foregoing and of the execution and delivery of this Bond Purchase Agreement by the Underwriter, the Regents represent and warrant to and covenant with the Underwriter that, as of the date hereof and on and as of the date of the Closing:
  - (a) The representations and warranties of the Regents contained in the Resolution shall be deemed incorporated herein by this reference as though fully set forth herein, and such representations and warranties are true and correct.
  - (b) The Regents are a body politic and corporate organized and existing under and pursuant to the Constitution and laws of the State, have full legal right, power and authority pursuant to the Constitution, the Act and the Resolution to consummate all transactions contemplated by (i) this Bond Purchase Agreement, the Resolution, the Escrow Agreement dated as of October 1, 2007 (the "Escrow Agreement") between the Regents and Wells Fargo Bank, N.A., as the escrow agent (the "Escrow Agent"), the Remarketing Agreement, the Continuing Disclosure Agreement dated as of October 1, 2007 between the Regents and the Trustee, as dissemination agent (the "Dissemination

Agent") and the Standby BPA (collectively, the "Regents' Documents"), the Series 2007 Bonds and any and all other agreements and instruments relating to the issuance and sale of the Series 2007; and (ii) the Preliminary Official Statement relating to the Series 2007 Bonds, including all appendices thereto, dated October \_\_\_\_\_, 2007 (the "Preliminary Official Statement") and the final Official Statement, including all appendices thereto, dated as of the date hereof (the final Official Statement, including all appendices, supplements and amendments thereto, collectively is referred to as the "Official Statement"); to enter into the Regents' Documents; to issue the Series 2007 Bonds; to approve the Official Statement; to carry out all of its obligations thereunder and to comply with the terms and conditions hereof and thereof applicable to the Regents.

- (c) The Regents have duly adopted the Resolution and have duly authorized all necessary action to be taken by them for: (i) the issuance and sale of the Series 2007 Bonds upon the terms and conditions set forth herein, in the Official Statement, and in the Resolution; (ii) the approval and execution, as relevant, of each Regents' Document and the Series 2007 Bonds; and (iii) the execution, delivery or receipt of and performance of the Regents' obligations under each Regents' Document and the Series 2007 Bonds, and any and all such other agreements and documents as may be required to be executed, delivered or received by the Regents in order to carry out, effectuate and consummate the transactions contemplated herein and therein.
- (d) The Regents have previously provided the Underwriter with the Preliminary Official Statement, and as of its date, the Preliminary Official Statement has been "deemed final" by the Regents for purposes of Rule 15c2-12 to promulgated under the Securities Exchange Act of 1934, as amended (the "**Rule**").
- (e) The Regents have never failed to comply in all material respects with any continuing disclosure undertaking with regard to the Rule to provide annual reports or notices of material events specified in the Rule.
- (f) The Regents have duly approved and authorized the execution, delivery and distribution of the Official Statement.
- The information contained in the Official Statement sections titled "INTRODUCTION - The University of Idaho" and "- Purpose of the Series 2007 Bonds," "PLAN OF FINANCE - The Refunding Project" and "- The Series 2007B Project," "PRO FORMA AND HISTORICAL PLEDGED REVENUES." "THE UNIVERSITY." UNIVERSITY," FUNDING FOR THE "SOURCES OF "UNIVERSITY GOVERNANCE AND ADMINISTRATION" and "LITIGATION" and in Appendices A and B (collectively, all such sections and appendices are herein referred to as the "Relevant Portions") is, and at the Closing will be, true and correct in all material respects and does not, and at the Closing will not, contain any untrue or misleading statement of a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

- (h) At the time of the Regents' acceptance hereof and (unless an event occurs of the nature described in the last paragraph of Section 3 hereof) at all times subsequent thereto during the period up to and including twenty-five (25) days after the Closing Date, the information contained in the Relevant Portions of the Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.
- (i) If the information contained in the Relevant Portions of the Official Statement is supplemented or amended pursuant to the last paragraph of Section 3 hereof, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto during the period up to and including twenty-five (25) days after the Closing Date, the information contained in the foregoing sections of the Official Statement, as so supplemented or amended, will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.
- (j) Neither the execution and delivery of any Regents' Document, the Series 2007 Bonds, nor the consummation of the transactions contemplated herein or therein or the compliance with the provisions hereof or thereof, will conflict with, or constitute on the part of the Regents a violation of, or a breach of or default under, (i) any indenture, mortgage, commitment, note or other agreement or instrument to which the Regents is a party or by which it is bound, or (ii) any existing law, statute, rule, regulation (other than any state blue sky law) or resolution or judgment, order or decree of any court or governmental agency or body having jurisdiction over the Regents or any of its activities or properties. All consents, approvals, certificates of need, authorizations and orders of governmental or regulatory authorities (other than any state blue sky authorities) which are required for the execution and delivery of, consummation of the transactions contemplated by and compliance with the provisions of the Regents' Documents and Series 2007 Bonds by the Regents have been obtained or will be obtained when required.
- Except as is specifically disclosed in the Official Statement, there is no (k) action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or, to the knowledge of the Regents, threatened against or affecting (i) the financial condition of the Regents, the University, the Refunding Project, the Series 2007B Project, or the operation by the Regents or the University of its properties, or (ii) the corporate existence of the Regents, the offices held by the members of the Regents and officers of the University and their respective rights or powers, their legal existence, or the actions taken or contemplated to be taken by them, or (iii) the transactions contemplated in the Regents' Documents or the Series 2007 Bonds, or (iv) the validity or enforceability in accordance with their respective terms of the Series 2007 Bonds, any Regents' Document or any material agreement or instrument by which the Regents, the University or their respective properties is or may be bound, and, to the knowledge of the Regents, is there any basis therefor wherein an unfavorable decision, ruling or finding would materially adversely affect any of the foregoing described in clauses (i) through (iv).

- (l) The Regents will not take or omit to take any action which will in any way cause or result in the proceeds of the sale of the Series 2007 Bonds being applied in a manner other than as provided in the Resolution and the Escrow Agreement or as described in the Official Statement.
- (m) The Regents have not been at any time in default as to principal or interest with respect to any obligation issued by or guaranteed by the Regents or with respect to which the Regents are an obligor.
- (n) The audited financial statements of the University for the periods ended June 30, 2005 and June 30, 2006 are a fair presentation of the financial position of the University, the results of the University's operations and the University's changes in its net assets for the period specified as of the dates indicated.

Except as described in the Preliminary Official Statement, since June 30, 2006, there has been no material adverse change in the condition, financial or otherwise, of the University from that set forth in the audited financial statements as of and for the period ended that date; and except as described in the Preliminary Official Statement, the University, since June 30, 2006, has not incurred any material liabilities, directly or indirectly, except in the ordinary course of the University's operations.

- (o) Between the date of this Agreement and the date of the Closing, except as contemplated by the Official Statement, the Regents will not incur and will not cause the University to incur any material liabilities, direct or contingent, or enter into any material transaction, in either case other than in the ordinary course of business.
- (p) As of the date of this Bond Purchase Agreement, no event of default has occurred and is continuing and no event has occurred and is continuing which with the lapse of time or the giving of notice, or both, would constitute an event of default under any instrument to which the Regents or the University is a party and which is material to the business or operations of the Regents or the University.
- (q) The Regents agree to furnish or cause to be furnished such information, execute or cause to be executed such instruments and take such other action in cooperation with Underwriter's Counsel as it may reasonably request (i) in any endeavor to qualify the Series 2007 Bonds for offering and sale under the securities or "Blue Sky" laws or regulations of such jurisdictions of the United States of America as the Underwriter may request, (ii) for the application for exemption from such qualification, (iii) for the determination of the Series 2007 Bonds' eligibility for investment under the laws of such jurisdictions as the Underwriter designates and (iv) to provide for the continuance of such qualifications or exemptions in effect for so long as required for distribution or marketing of the Series 2007 Bonds, but not to exceed six (6) months after the date of Closing; provided, however, that the Regents shall not be required to qualify to do business in any jurisdiction where it is not now so qualified, or to take any such action which would subject it to general service of process in any jurisdiction where it is not now so subject.

- (r) The Regents will comply and will use its best efforts to insure compliance with the applicable representations, warranties, covenants and obligations of the Regents contained in this Bond Purchase Agreement.
- (s) Any certificate signed by any officer of the Regents or the University and delivered to the Underwriter shall be deemed a representation and warranty by the Regents to the Underwriter as to the truth of the statements therein contained
- 5. <u>Closing.</u> At 9 a.m., Pacific Daylight Time, on October \_\_\_\_, 2007, or at such other time and/or date as shall have been mutually agreed upon by the Regents and the Underwriter, the Regents will deliver, or cause to be delivered, to the Underwriter through the facilities of DTC the Series 2007 Bonds in definitive form duly executed by authenticated by the Wells Fargo Bank, N.A., as Trustee in accordance with the Resolution, by delivering one fully registered Bond for each Series of the Series 2007 Bonds in the principal amount of the related Series of the Series 2007 Bonds, registered in the name of Cede &Co., as nominee of DTC, to the Trustee as custodian for DTC; and the Underwriter will accept such delivery of the Series 2007 Bonds and pay the Purchase Price of the Series 2007 Bonds to the Trustee for the account of the Regents by wire transfer or other direct transfer of immediately available funds payable to the order of the Trustee.

The activities relating to the final execution and delivery of the Series 2007 Bonds and the final execution and delivery of the Regents' Documents, the Policy, the Standby Bond Purchase Agreement and the certificates, opinions and other instruments as described in Section 7 of this Bond Purchase Agreement shall occur at the offices of \_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_, or at such other location which shall be mutually agreed upon by the Regents and the Underwriter. The payment of the Purchase Price for the Series 2007 Bonds and simultaneous delivery of the Series 2007 Bonds to the Underwriter is herein referred to as the "Closing."

The Series 2007 Bonds will be made available for inspection by the Underwriter, at such place in \_\_\_\_\_\_\_ as the Underwriter and the Trustee shall agree, not less than 24 hours prior to the Closing.

- 6. <u>Termination</u>. The Underwriter shall have the right to terminate its obligations hereunder by notice given to the Regents prior to delivery of and payment for the Series 2007 Bonds, if at any time prior to such time:
  - (a) Legislation not yet introduced in Congress shall be enacted or actively considered for enactment by the Congress, or recommended by the President of the United States of America to the Congress for passage, or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States of America or the United States Tax Court shall be rendered, or a ruling, regulation (proposed, temporary or final) or Official Statement by or on behalf of the Treasury Department of the United States of America, the Internal Revenue Service or other agency or department of the United States of America shall be made or proposed to be made which has the purpose or effect, directly or indirectly, of imposing federal income taxes upon interest on the Series 2007 Bonds; or

- (b) Any other action or event shall have transpired which has the purpose or effect, directly or indirectly, of materially adversely affecting the federal income tax consequences of any of the transactions contemplated in connection herewith or contemplated by the Official Statement, and, in the reasonable judgment of the Underwriter, materially adversely affects the market for the Series 2007 Bonds or the sale, at the contemplated offering prices (or yields), by the Regents, of the Series 2007 Bonds: or
- (c) Legislation shall be enacted, or actively considered for enactment by the Congress, with an effective date on or prior to the date of Closing, or a decision by a court of the United States of America shall be rendered, or a ruling or regulation by the Securities and Exchange Commission (the "SEC") or other governmental agency having jurisdiction over the subject matter shall be made, the effect of which is that (i) the Series 2007 Bonds are not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect, or (ii) the Resolution is not exempt from the registration, qualification or other requirements of the Trust Indenture Act of 1939, as amended and as then in effect; or
- (d) A stop order, ruling or regulation by the SEC shall be issued or made, the effect of which is that the issuance, offering or sale of the Series 2007 Bonds, as contemplated herein or in the Official Statement, is in violation of any provision of the Securities Act of 1933, as amended and as then in effect, the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect; or
- (e) There shall exist any fact or there shall occur any event which, in the reasonable judgment of the Underwriter, either (i) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement or (ii) is not reflected in the Official Statement but should be reflected therein in order to make the statements and information contained therein not misleading in any material respect and, in either such event the Regents refuse to permit the Official Statement to be supplemented to correct or supply such statement or information, or the Official Statement as so corrected or supplemented is such as, in the judgment of the Underwriter, would materially adversely affect the market for the Series 2007 Bonds or the sale, at the contemplated offering prices (or yields), by the Regents of the Series 2007 Bonds; or
- (f) There shall have occurred any outbreak or escalation of hostilities, declaration by the United States of a national emergency or war or other calamity or crisis the effect of which on financial markets is such as to make it, in the reasonable judgment of the Underwriter, impractical or inadvisable to proceed with the offering or delivery of the Series 2007 Bonds as contemplated by the final Official Statement (exclusive of any amendment or supplement thereto); or
- (g) Trading in the Regents' outstanding securities shall have been suspended by the Securities and Exchange Commission or trading in securities generally on the New

York Stock Exchange shall have been suspended or limited or minimum prices shall have been established on such Exchange; or

- (h) A banking moratorium shall have been declared either by Federal or New York State authorities; or
- (i) There occurs any material adverse change in the affairs, operation or financial condition of the University, except as set forth or contemplated in the Official Statement, the effect of which is, in the reasonable judgment of the Underwriter, to materially adversely affect the market for the Series 2007 Bonds or the sale, at the contemplated prices (or yields) by the Regents of the Series 2007 Bonds; or
- (j) The Official Statement is not executed, approved and delivered in accordance with the terms hereof; or
- (k) In the reasonable judgment of the Underwriter, the market price of the Series 2007 Bonds, or the market price generally of obligations of the general character of the Series 2007 Bonds, would be adversely affected because: (i) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange, or (ii) the New York Stock Exchange or other national securities exchange, or any governmental authority, shall impose, as to the Series 2007 Bonds or similar obligations, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, underwriters; or
- (l) Any litigation shall be instituted, pending or threatened to restrain or enjoin the issuance, sale or delivery of the Series 2007 Bonds or in any way contesting or affecting any authority for or the validity of the Series 2007 Bonds, this Bond Purchase Agreement, the Resolution or the existence or powers of the Regents or any of the transactions described herein or in the Official Statement.
- 7. <u>Conditions to Purchase</u>. The Underwriter has executed and delivered this Bond Purchase Agreement in reliance upon the representations, warranties and obligations of the Regents a contained herein. Accordingly, the Underwriter's obligations under this Bond Purchase Agreement shall be subject to the following conditions:
  - (a) The representations and warranties of the Regents contained herein shall be true and correct in all material respects at the date hereof and at and as of the Closing, as if made at and as of the Closing and will be confirmed by certificates of the appropriate Regents' or University official or officials, dated the Closing Date, and the statements made in all certificates and other documents delivered to the Underwriter at the Closing pursuant hereto shall be true, complete and correct in all material respects at the Closing; and the Regents shall be in compliance with each of the warranties, agreements and covenants made by them in this Bond Purchase Agreement.

- (b) At the Closing, the following conditions shall have been satisfied:
- (1) the Series 2007 Bonds shall be executed by the Regents, authenticated by the Trustee and delivered to the Underwriter for purchase as described in Section 5 hereof;
- (2) all actions which, in the opinion of Bond Counsel and the Underwriter, shall be necessary in connection with the transactions contemplated hereby, shall have been duly taken and shall be in full force and effect;
- (3) the Regents shall perform or shall have performed all of their obligations required under or specified in this Bond Purchase Agreement and the Official Statement to be performed at or prior to the Closing;
- (4) all necessary resolutions and other official action of the Regents relating to the Regents' Documents and the issuance and sale of the Series 2007 Bonds, and all necessary resolutions and other official action of the Regents relating to the Regents' Documents and all other agreements or documents to be executed and delivered by the Regents in connection with the issuance and sale of the Series 2007 Bonds shall have been taken and shall be in full force and effect and shall not have been amended, modified or supplemented in any material respect, except with the consent of the Underwriter;
- (5) each of the Regents' Documents and the Series 2007 Bonds shall have been fully executed by the relevant parties and shall be in full force and effect;
- (6) evidence satisfactory to the Underwriter of the issuance by the Insurer of the Policy in the form attached to the Official Statement as Appendix F and that such Policy is in full force and effect as of the date of the Closing;
- (7) the Official Statement, executed by the Regents and in form and substance acceptable to the Underwriter, shall have been delivered to the Underwriter:
- (8) evidence satisfactory to the Underwriter of filing a report with the State Treasurer pursuant to Idaho Code Section 67-1222.
- (c) At or prior to the Closing, the Underwriter shall receive the following documents in such number of counterparts as shall be mutually agreeable to the Regents and the Underwriter:
  - (1) Certified copies of the 2007 Supplemental Resolution and all resolutions of the Regents relating to the Series 2007 Bonds and approving the execution and delivery of each Regents' Document and the Official Statement;
    - (2) A copy of each Series of the Series 2007 Bonds;

- (3) A copy of the Policy in a form attached to the Official Statement as Appendix F;
- (4) Executed copies of the Standby Bond Purchase Agreement, the Escrow Agreement, the Remarketing Agreement, the Disclosure Agreement, a Tax Certificate delivered by the Regents, and the Representations Letter;
- (5) The Official Statement executed on behalf of the Regents by their duly authorized officer;
- (6) Approving opinion of Co-Bond Counsel, dated the Closing Date, in substantially the form set forth in Appendix H to the Official Statement;
- (7) Supplemental opinion of Co-Bond Counsel, dated the Closing Date, in substantially the form set forth in **Exhibit A** hereto;
- (8) An opinion of Underwriter's Counsel, dated the Closing Date, in substantially the form acceptable to the Underwriter;
- (9) A defeasance opinion of Co-Bond Counsel, dated the Closing Date, in substantially the form set forth in **Exhibit B** hereto;
- (10) A certificate of Attorney General of the State, dated the Closing Date, relating to validity of the Series 2007 Bonds;
- An opinion of Counsel to the Regents and the University, dated the (11)Closing Date, in form and substance satisfactory to the Underwriter, to the effect that (i) the due existence of the Regents and powers of the Regents to issue the Series 2007 Bonds, to adopt the Resolution, to pledge the Pledged Revenues, to enter into the Regents' Documents, and to consummate the transactions contemplated by the Resolution and the Regents' Documents, (ii) the Resolution was duly adopted by the Regents, (iii) the adoption of the Resolution by the Regents and the execution and delivery of the Regents' Documents and the performance by the Regents or the University of the transactions contemplated thereby will not conflict with or constitute a breach of, or default under, any provision of the applicable law, rule, regulation, ordinance, judgment, order or decree to which the Regents or the University is subject, or any commitment, note, agreement or other instrument to which the University or Regents is a party or by which it or any of their respective property is bound; (iv) the Relevant Portions of the Official Statement, are true and correct in all material respects and do not omit to state a material fact; (v) except as disclosed in the Official Statement, there is no action, suit, proceeding, official inquiry or investigation, at law or in equity, pending, or to the knowledge of such Counsel, threatened (and there is no basis for such action, suit, proceeding, official inquiry or investigation) which (x) questions the existence or powers of the Regents or the University or any of their respective officers; (y) seeks to prohibit, restrain or enjoin the sale, issuance or delivery of the Series 2007 Bonds or the authorization, execution and delivery of the Resolution or any Regent Document or validity of the proceedings,

taken by the Regents in connection with the issuance of the Series 2007 Bonds; or (z) challenges the powers of the Regents or the University to pledge and collect Pledge Revenues and other funds and accounts pledged to the payment of the Series 2007 Bonds under the Resolution;

- (12) Opinions of foreign and U.S. Counsel to the Initial Liquidity Facility Provider, dated the Closing Date, in substantially the forms acceptable to the Underwriter;
- (13) Letters from Moody's and S&P to the effect that each Series of the Series 2007 Bonds have been assigned ratings of no less than "Aaa" and "AAA," respectively, and letters from Moody's and S&P to the effect that each Series of the Series 2007 Bonds have received underlying ratings of "A1" from Moody's and "A+" from S&P, all of which ratings shall be in effect at Closing;
- (14) A certificate of the Regents, dated the Closing Date, in substantially the form acceptable to the Co-Bond Counsel and the Underwriter;
- (15) A certificate of the Trustee and the Escrow Agent, dated the Closing Date, to the effect that the Trustee and the Escrow Agent (i) are duly organized and validly existing under the laws of the United States of America, with full corporate trust powers, (ii) have full right, power and authority to enter into and perform the obligations under the Resolution and the Escrow Agreement and (iii) have validly accepted its obligations under the Resolution and the Escrow Agreement, which obligations are legally valid and binding obligations of the Trustee and the Escrow Agent, respectively;
- (16) A certificate from the Insurer with respect to such matters as the Underwriter may reasonably request, including, without limitation, the accuracy and completeness of the description of the Insurer and the Policy in the Official Statement;
- (17) A certificate from the Initial Liquidity Facility Provider with respect to such matters as the Underwriter may reasonably request, including, without limitation, the accuracy of the description of the Initial Liquidity Facility Provider in the Official Statement:
- (18) The verification report of Causey, Demgen & Moore, Inc. addressed to the Regents and the Underwriter stating that Causey, Demgen & Moore, Inc. has reviewed and verified the mathematical accuracy of certain computations relating the adequacy of the maturing principal amounts of securities to be held pursuant to the Escrow Agreement and interest to be earned thereon to pay the principal or redemption price of and interest on the Refunded Bonds, as such principal or redemption price and interest become due and payable;
- (19) A copy of the report to the State Treasurer pursuant to Idaho Code Section 67-1222;

- (20) A certificate of the Regents, dated the Closing Date, required by Sections 7.2 (2) and 7.2(5) of the Resolution;
- (21) A Consultant's Report required by Section 7.2(3) of the Resolution;
- (22) Accountant's Certificate required by Section 7.2(4) of the Resolution;
- (23) [Consents of Moss Adams LLP to include reports in the Preliminary Official Statement and the Official Statement;]
- (24) Consent of the Underwriter pursuant to Section 10.1A of the Resolution;
- (25) Consents of the insurance companies which insured the Outstanding Bonds issued prior to 2005, in a form acceptable to the Underwriter; and
- (26) Such additional legal opinions, certificates, proceedings, instruments and other documents as Co-Bond Counsel may reasonably request to evidence compliance by the Regents with legal requirements, the truth and accuracy, as of the time of Closing, of the respective representations of the Underwriter, the Regents herein contained and the due performance or satisfaction by each of them at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by each of them.

If the Regents shall be unable to satisfy the conditions to the obligations of the Underwriter contained in this Bond Purchase Agreement, or if the obligations of the Underwriter to place and accept delivery of the Series 2007 Bonds shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement shall terminate and neither the Underwriter nor the Regents shall be under further obligation hereunder; except that the Regents' obligations to pay fees and expenses, as provided in Section 9 hereof, shall continue in full force and effect. The Underwriter shall have the right to waive any of the conditions to its obligations contained in this Bond Purchase Agreement.

- 8. <u>Survival of Representations, Warranties and Agreements</u>. All representations, warranties and agreements of the Regents and the Underwriter shall remain operative and in full force and effect, regardless of any investigations made by or on behalf of the Underwriter or the Regents and shall survive the Closing. The obligations of the Regents and the Underwriter under Section 9 hereof shall survive the Closing and any termination of this Bond Purchase Agreement by the Underwriter pursuant to the terms hereof.
- 9. <u>Fees and Expenses</u>. The Regents will pay or cause to be paid all reasonable expenses incident to the performance of its obligations under this Bond Purchase Agreement, including, but not limited to, mailing or delivery of the Series 2007 Bonds, costs of printing the Series 2007 Bonds, the Preliminary Official Statement, the final Official Statement and any amendment or supplement to the Official Statement, fees and disbursements of Co-Bond

Counsel and Underwriter's Counsel, fees and expenses of the accountants of and counsel to the Regents, any fees charged by rating agencies for the rating of the Series 2007 Bonds, the Policy premium, and any fees and expenses of the Initial Liquidity Facility Provider and its counsel, the Trustee and the Escrow Agent.

- 10. <u>Blue Sky Qualification</u>. The Regents covenant with the Underwriter that the Regents will cooperate, at the expense of the Regents, with the Underwriter in qualifying the Series 2007 Bonds for offer and sale under the securities or Blue Sky laws of such jurisdictions of the United States of America as the Underwriter may request; provided, however, that the Regents shall not be required to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it is not so qualified or to subject itself to taxation in any jurisdiction in which it is not otherwise subject to taxation. The Regents consent to the use by the Underwriter in the course of its compliance with the securities or Blue Sky laws of the various jurisdictions of the documents relating to the Series 2007 Bonds, subject to the right of the Regents to withdraw such consent for cause by written notice to the Underwriter.
- 11. <u>Notices</u>. Any notice or other communication to be given to the Regents under this Bond Purchase Agreement may be given by delivering the same in writing at its address set forth above and to the attention of President and any notice or other communication to be given to the Underwriter under this Bond Purchase Agreement may be given by delivering the same in writing to George K. Baum & Company, 717 17<sup>th</sup> Street, Suite 2500, Denver, Colorado 80202, Attention: Lee White, Executive Vice President and Manager.
- 12. <u>Benefit</u>. This Bond Purchase Agreement is made solely for the benefit of the Regents and the Underwriter (including the successors or assigns of the Underwriter) and no other person, including any purchaser of the Series 2007 Bonds, shall acquire or have any right hereunder or by virtue hereof. This Bond Purchase Agreement shall be binding upon the successor and assigns, if any, of the Regents and the Underwriter.
- 13. <u>Governing Law</u>. This Bond Purchase Agreement shall be governed by and construed in accordance with the laws of the State, without giving effect to its principles of conflicts of laws.

[Signature Page Follows]

acceptance hereof and may be executed in se as an original and all of which shall constitute	everal counterparts, each of which shall be regarded one and the same document.
•	Very truly yours,
	GEORGE K. BAUM & COMPANY
]	By:Authorized Officer
Accepted and agreed to as of the date first above written:	
THE REGENTS OF THE UNIVERSITY OF	IDAHO
By: Lloyd Mues, Vice President for Finance and Administration and Bursar	

Effective Date. This Bond Purchase Agreement shall become effective upon your

14.

## **EXHIBIT A**

## **Supplemental Opinion of Co-Bond Counsel**

[Skinner Faw	/cett Letterhead]	[Ballard Spahr Letterhead]
Regents of the Moscow, Idal	ne University of Idaho ho	
George K. Ba Denver, Colo	aum & Company orado	
Re:		nts of the University of Idaho, Adjustable Rate General ds, Series 2007A and Adjustable Rate General Revenue
Agreement (to Company (the Which Purchal amore) 2007A (the Adjustable Retogether with	the "Purchase Agreement"), and the ase Agreement relates to the ount of the Regents Adju "Series 2007A Bonds") the General Revenue Bonds the Series 2007A Bonds, but which are not otherwise	o you pursuant to Section of the Bond Purchase dated, 2007 between George K. Baum & Regents of the University of Idaho (the "Regents"), a purchase by the Underwriter of \$ aggregate stable Rate General Revenue Refunding Bonds, Series and \$ aggregate principal amount of its ds, Series 2007B Bonds (the "Series 2007B Bonds" and the "Series 2007 Bonds"). Capitalized terms which are a defined shall have the meanings assigned to them in the
Series 2007 I Agreement, the 2007 Bonds or originals or co	Bonds and, in that capacity the Resolution, and the Off dated, 2007 (copies, certified or otherwise)	sel to the Regents in connection with the issuance of the y, have examined executed counterparts of the Purchase ricial Statement of the Regents with respect to the Series (the "Official Statement"). We have also examined the se identified to our satisfaction, of such other documents, ave deemed necessary or advisable for purposes of this
	ne basis of such examination sting law as follows:	on, we are of the opinion as of the date hereof and under
1. Th University.	he Purchase Agreement ha	as been duly authorized, executed and delivered by the

A-1

**TAB 3 Page 209** 

- 2. The Series 2007 Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Resolution is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.
- 3. The statements contained in the Official Statement under the captions ["INTRODUCTION—Authority for Issuance;—Terms of the Series 2007 Bonds; —Payment and Security for the Series 2007 Bonds," "THE SERIES 2007 BONDS," "SECURITY FOR THE SERIES 2007 BONDS—Pledged Revenues, —Covenants" "—No Debt Service Reserve Account for the Series 2007 Bonds;" "—Consent to Amendments" and "TAX EXEMPTION," and in APPENDIX C, APPENDIX D and APPENDIX H] to the Official Statement insofar as the statements contained under such captions purport to summarize and/or extract certain provisions of the Series 2007 Bonds, the Resolution and our opinion with respect to the tax-exempt status of interest on the Series 2007 Bonds, present an accurate summary and/or extract of such provisions in all material respects.

Because the primary purpose of our professional engagement was not to establish factual matters and because of the wholly or partially nonlegal character of many determinations involved in the preparation of the Official Statement, except with regards to the matters contained in Paragraph 3 above, we are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of any of the statements contained in the Official Statement and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. However, in our capacity as co-bond counsel, during the course of preparation of the Official Statement, we met in conferences with representatives of and counsel to the Regents and the University, your representatives and counsel, and others, during which conferences the contents of the Official Statement and related matters were discussed. Based on our participation in the above-mentioned conferences, and in reliance thereon and on the certificates and other documents herein mentioned, we advise you that no information came to the attention of the attorneys in our firm rendering legal services in such connection which caused them to believe that Official Statement as of its date and as of the date of this letter contained or contains any untrue statement of a material fact or omitted or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except that no opinion or belief is expressed herein as to financial statements, financial, economic demographic or statistical data, forecasts, charts, estimates, projections, assumptions, expressions of opinion, any information about book-entry and The Depository Trust Company, Financial Security Assurance Inc., its municipal bond insurance policy, Dexia Credit Local or the Standby Bond Purchase Agreement and information contained in Appendix A, Appendix E, Appendix F, Appendix G-1 and Appendix G-2 to the Official Statement).

We have on this day rendered our approving opinion as Co-Bond Counsel to the Regents with respect to the Series 2007 Bonds. You are entitled to rely on such opinion as if it were addressed to you.

This letter is furnished by us as co-bond counsel to the Regents. No attorney-client relationship has existed or exists between our firm and you in connection with the Series 2007 Bonds or by virtue of this letter. We disclaim any obligation to update this letter. This letter is delivered to you solely for your benefit and may not be relied upon by any other persons. This

letter is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to, and may not, be relied upon by the owners of the Series 2007 Bonds or by any party to whom it is not addressed.

Respectfully submitted,

#### **EXHIBIT B**

#### **Defeasance Opinion of Co-Bond Counsel**

[SKINNER FAWCETT LETTERHEAD]	[BALLARD SPAHR LETTERHEAD]
	, 2007
The Regents of the University of Idaho Moscow, Idaho	
Wells Fargo Bank, National Association Boise, Idaho	
Bond Insurers Listed on Attached Schedule A	

Re: The Regents of the University of Idaho Student Fee Revenue Bonds (Recreation Center Project), Series 1999, Student Fee Revenue Bonds, Series 1999A (Elmwood Apartments Acquisition Project)

#### Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance of certain Adjustable Rate General Revenue Refunding Bonds, Series 2007A (the "Bonds") by the Regents of the University of Idaho (the "Issuer") pursuant to a Resolution, adopted by the Regents on November 22, 1991 (the "Original Resolution") as heretofore amended and supplemented and restated and as further supplemented and amended by a supplemental resolution of the Regents adopted on October 11, 2007 (collectively, the "Resolution"). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Resolution. This opinion is given in connection with the resolution adopted by the Issuer on January 25, 1999 (collectively, the "Prior Resolutions") and the requirements of Section 57-504, Idaho Code, as amended, all with Wells Fargo Bank, National Association as trustee (the "Trustee").

The Bonds are being issued in part to provide funds for the defeasance of certain portions of the outstanding principal amount of the Issuer's Student Fee Revenue Bonds (Recreation Center Project), Series 1999, Student Fee Revenue Bonds, Series 1999A (Elmwood Apartments Acquisition Project) (as more fully described in the Escrow Agreement and referred to herein, collectively as the "Refunded Bonds") originally issued pursuant to the applicable Prior Resolutions and insured by the bond insurers addressed above. The refunding is being accomplished by deposit to and investment of a portion of the proceeds of the Bonds in an Escrow Fund pursuant to an Escrow Agreement dated as of October 1, 2007 (the "Escrow Agreement")

between the Issuer and the Trustee as escrow agent (the "Escrow Agent"). For purposes of this opinion we assume receipt of said funds by the Escrow Agent.

We have examined the originals or copies, certified or otherwise authenticated to our satisfaction, of the following:

- (a) The Resolution;
- (b) The Prior Resolutions;
- (c) The Escrow Agreement;
- (d) The Verification Report dated \_\_\_\_\_\_\_, 2007, of Causey, Demgen & Moore, Inc., Denver, Colorado, relating to the sufficiency of the Escrow Fund established under the Escrow Agreement and certain yield calculations; and
- (e) Confirmations for the purchase of the Government Obligations (as defined in the Escrow Agreement) and such other documents, proceedings and instruments, including without limitation certificates of the trustee and the bond insurers as applicable, and related matters of law as we have deemed necessary or advisable for the purpose of this opinion.

We have relied upon the calculations and conclusions contained in the Verification Report referenced above without undertaking to verify the same.

Based upon and subject to the foregoing, we are of the opinion, under existing law, that the said Refunded Bonds are no longer outstanding as provided in the applicable Prior Resolutions

This opinion is delivered to you for your use only, and it may not be used or relied upon by, or published or communicated to, any third party for any purpose whatsoever without our prior written approval in each instance.

Very truly yours,

### **ATTACHMENT 5**

# Schedule A to Opinion Bond Insurers

(list)

## BUSINESS AFFAIRS AND HUMAN RESOURCES OCTOBER 11-12, 2007

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Draft 08/31/07

#### REMARKETING AGREEMENT

#### **Between**

#### THE REGENTS OF THE UNIVERSITY OF IDAHO

and

GEORGE K. BAUM & COMPANY as Remarketing Agent		
Dated as of October 1, 2007		
Relating to		

THE REGENTS OF THE UNIVERSITY OF IDAHO

\$\_\_\_\_\_

Adjustable Rate General Revenue Refunding Bonds, Series 2007A

and

Adjustable Rate General Revenue Bonds, Series 2007B

### **ATTACHMENT 6**

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#### REMARKETING AGREEMENT

This Remarketing Agreement (the "**Remarketing Agreement**") dated as of October 1, 2007, is entered into by and between THE REGENTS OF THE UNIVERSITY OF IDAHO, a body politic and corporate organized and existing under and pursuant to the Constitution and laws of the State of Idaho (the "**Regents**"), and GEORGE K. BAUM & COMPANY (the "**Remarketing Agent**").

#### WITNESSETH:

WHEREAS, the Regents have issued its (i) \$\_\_\_\_\_ aggregate principal amount of Adjustable Rate General Revenue Refunding Bonds, Series 2007A (the "Series 2007A Bonds") and (ii) \$\_\_\_\_ aggregate principal amount of Adjustable Rate General Revenue Bonds, Series 2007B (the "Series 2007B Bonds" and, together with the Series 2007A Bonds, the "Series 2007 Bonds") pursuant to a Supplemental Resolution (the "2007 Supplemental Resolution") adopted by the Regents on [October 11, 2007] which supplements that certain Resolution adopted by the Regents on November 22, 1991, as amended and supplemented (collectively with the 2007 Supplemental Resolution, referred to herein as the "Resolution");

WHEREAS, the Series 2007 Bonds have been issued to refund certain outstanding bonds of the Regents issued for the University of Idaho (the "University"), to finance certain capital improvements at the University campus, and to pay costs of issuance associated with the Series 2007 Bonds:

WHEREAS, pursuant to the Resolution, each Series of Series 2007 Bonds will initially bear interest at a Term Interest Rate for the Initial Term Interest Rate Period expiring on April 1, 2011 (with respect to the Series 2007A Bonds) and April 1, 2018 (with respect to the Series 2007B Bonds) and on the last day following the expiration of the respective Initial Term Interest Rate Period, each Series of the Series 2007 Bonds shall be subject to mandatory tender for purchase, and, upon mandatory tender, may be converted to a Weekly Interest Rate Period or another Term Interest Rate Period;

WHEREAS, the Resolution also provides, among other things, that while a Series of the Series 2007 Bonds bear interest at the Weekly Interest Rate and, upon conversion of a Series of the Series 2007 Bonds from one Interest Rate Period to another Interest Rate Period or conversion of one Term Interest Rate Period to another Term Interest Rate Period, the Bondholders may be required in certain instances to tender their Series 2007 Bonds for purchase upon the terms and conditions contained in the Series 2007 Bonds and the Resolution;

WHEREAS, the Resolution provides for the appointment of a remarketing agent to perform certain duties, including the use of its best efforts to remarket any Series 2007 Bonds tendered for purchase by the Bondholders; and

WHEREAS, the Remarketing Agent has agreed to accept the duties and responsibilities of the remarketing agent under the Resolution and this Remarketing Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants made herein and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

- Section 1. The Series 2007 Bonds, Terms, Definitions. The Series 2007 Bonds will be issuable under the terms and conditions, and will have the form, terms and specifications, set forth in the Resolution, as supplemented from time to time. Capitalized words used herein, but not otherwise defined herein, shall have the meanings assigned to them in the Resolution, as supplemented from time to time.
- Section 2. Appointment of the Remarketing Agent. The Regents have appointed George K. Baum & Company as the Remarketing Agent, and George K. Baum & Company hereby accepts such appointment to act as the Remarketing Agent in connection with the remarketing of each Series of the Series 2007 Bonds in accordance with and subject to the terms and conditions contained herein and in the Resolution. The Remarketing Agent hereby agrees to perform all obligations contemplated by the Resolution to be performed by it, as well as those to be performed by it hereunder.
- Section 3. <u>Removal and Resignation of Remarketing Agent; Assignment of Remarketing Agent's Rights and Obligations.</u>
- (a) The provisions of Article VI of the 2007 Supplemental Resolution shall govern the removal of the Remarketing Agent. The Remarketing Agent may resign at any time by notifying the Trustee, the Regents, the Insurer and the Liquidity Facility Provider at least thirty (30) days before the effective date of such resignation. Notwithstanding the foregoing, no removal or resignation of the Remarketing Agent shall become effective until a successor Remarketing Agent meeting the requirements of the Resolution has been duly appointed and has accepted its appointment under the Resolution in writing with respect to the Series 2007 Bonds; provided, however, that the Remarketing Agent may resign without compliance with such requirement as long as the Remarketing Agent provides notice as required herein at least ninety (90) days before the effective date of such resignation and such effective date is within the Initial Term Interest Rate Period expiring on April 1, 2011.
- (b) In addition, the Remarketing Agent may immediately terminate its obligations under this Remarketing Agreement with respect to all Series 2007 Bonds at any time by notifying the Trustee, the Regents and the Liquidity Facility Provider in writing or by telegram, telex or other electronic communication of its election to do so, upon the occurrence of any of the following events:
- (i) Legislation shall be enacted or a decision by a court established under Article III of the Constitution of the United States, or the Tax Court of the United States of America, shall be rendered or a ruling, regulation or order of the Treasury Department of the United States of America or the Internal Revenue Service shall be made having the purpose or effect of imposing federal income taxation, or any other event shall have occurred which results in the imposition of federal income taxation upon interest received on a Series of Series 2007 Bonds, provided that collateral tax consequences of owning a Series of Series 2007 Bonds shall

not be considered as an imposition of federal income taxation upon the interest on such Series of Series 2007 Bonds;

- (ii) Legislation shall be enacted or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of the United States Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made, to the effect that the remarketing of obligations of the general character of a Series of Series 2007 Bonds, as contemplated hereby, is or would be in violation of any provision of the Securities Act of 1933, as amended and as then in effect, of the Securities Exchange Act of 1934, as amended and as then in effect, of the Trust Resolution Act of 1939, as amended and as then in effect, or with the purpose or effect of otherwise prohibiting the remarketing of obligations of the general character of a Series of Series 2007 Bonds, or a Series of Series 2007 Bonds, as contemplated hereby;
- (iii) Any information shall have become known, which, in the Remarketing Agent's reasonable opinion, makes untrue, incorrect or misleading in any material respect any material statement or information contained in the Official Statement prepared in connection with the initial offering of the Series 2007 Bonds or a new remarketing statement prepared upon the mandatory tender of a Series of Series 2007 Bonds in connection with establishing a new Term Interest Rate Period or conversion to a Weekly Interest Rate of such Series of Series 2007 Bonds, as the information contained therein has been supplemented or amended by other information furnished or supplied to the Remarketing Agent, or causes such Official Statement or official statement or other disclosure document, as so supplemented or amended, to contain an untrue, incorrect or misleading statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading;
- (iv) Except as provided in clauses (i) and (ii) hereof, any legislation, resolution, ordinance, rule or regulation shall be introduced in or be enacted by any federal governmental body, department or agency of the United States of America, or a decision by any court of competent jurisdiction within the United States of America or the State of Idaho shall be rendered, and, in the Remarketing Agent's reasonable opinion, such legislation, resolution, ordinance, rule, regulation or decision materially adversely affects the marketability of a Series of Series 2007 Bonds;
- (v) Additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange;
- (vi) Any governmental authority shall impose, as to a Series of Series 2007 Bonds, or obligations of the general character of a Series of Series 2007 Bonds, any material restrictions not now in force, or increase materially those now in force;
- (vii) A general banking moratorium shall have been established by federal, New York or Idaho authorities;

- (viii) Any rating of a Series of Series 2007 Bonds issued by a national rating agency shall have been withdrawn or downgraded to below the third highest credit rating category (without regard to gradations within categories) and, in the Remarketing Agent's reasonable opinion, such withdrawal or downgrade materially adversely affects the marketability of such Series of Series 2007 Bonds; or
- (ix) A war involving the United States shall have been declared, or the armed forces of the United States of America shall have become involved in a conflict, or any other national emergency relating to the effective operation of government or the financial community shall have occurred, and, in the Remarketing Agent's reasonable opinion, such war, conflict or national emergency materially adversely affects the marketability of the Series 2007 Bonds.
- (c) Notwithstanding the foregoing, with prior written notice to (but without the consent of) the Regents, the Trustee, the Insurer and any Liquidity Facility Provider, the Remarketing Agent may assign or transfer any or all of its rights and obligations as Remarketing Agent under the Resolution and under the Remarketing Agreement with respect to a Series of Series 2007 Bonds to any wholly-owned subsidiary or affiliate of the Remarketing Agent so long as such subsidiary or affiliate meets the qualifications for a Remarketing Agent set forth in the Resolution and is otherwise permitted to perform such obligations under all applicable federal, State of Idaho and state banking and securities laws, rules and regulations.
- Section 4. <u>Obligations of the Remarketing Agent</u>. The Remarketing Agent shall (i) comply with all provisions of, and (ii) perform all of its duties and obligations under, the Resolution and this Remarketing Agreement relating to the remarketing of the Series 2007 Bonds. Specifically, the Remarketing Agent agrees as follows:
- (a) To compute the rates of interest applicable to each Series of Series 2007 Bonds pursuant to and in accordance with the Resolution and to give the notices provided for or otherwise required in the Resolution;
- (b) To hold all Series 2007 Bonds delivered to it under the Resolution and this Remarketing Agreement in trust and in trust accounts for the benefit of the Bondholders which shall have so delivered such Series 2007 Bonds until such Series 2007 Bonds are required to be delivered to the Trustee in accordance with the provisions of the Resolution or until moneys representing the purchase price thereof shall have been delivered to or for the account of or to the order of such Bondholders;
- (c) To hold all moneys, if any, delivered to it under the Resolution for the purchase of Series 2007 Bonds in trust for the benefit of the purchaser which shall have so delivered such moneys to the Remarketing Agent until such moneys are required to be delivered to the Trustee under the Resolution or until the Series 2007 Bonds purchased with such moneys shall have been delivered to or for the account of such purchasers, and not to commingle such funds with the general funds of the Remarketing Agent; and
- (d) To keep such books and records with respect to all actions taken and all funds and securities received, held and delivered hereunder as shall be consistent with prudent industry

practice and to make such books and records available for inspection by the Trustee, the Liquidity Facility Provider, the Insurer and the Regents at all reasonable times.

Section 5. <u>Furnishing of Disclosure Materials</u>. The Regents agree to provide the Remarketing Agent at the expense of the Regents with copies of such financial information and financial statements relating to the University and the Series 2007B Project as they become available in such quantities as may be reasonably requested from time to time by the Remarketing Agent and as shall be satisfactory to the Regents, and the Regents further agree to supply such additional material relating to the University or the Series 2007B Project or obtain such other information relating to the University or the Series 2007B Project or respond to such questions relating to the University or the Series 2007B Project as may be appropriate and which the University can obtain without unreasonable effort and expense for the purpose of (a) verifying the information relating to the University or the Series 2007B Project contained in the Official Statement prepared in connection with the initial offering of the Series 2007 Bonds and (b) preparing a new remarketing statement upon the mandatory tender of a Series of Series 2007 Bonds in connection with establishing a new Term Interest Rate Period or conversion to a Weekly Interest Rate or preparing other remarketing statements as deemed necessary by the Remarketing Agent.

Section 6. <u>Conditions to the Remarketing Agent's Obligations</u>. The obligations of the Remarketing Agent under this Remarketing Agreement are subject to the following conditions:

- (a) The Resolution and this Remarketing Agreement shall be in full force and effect and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the parties thereto.
- (b) No Event of Default or event of default, as appropriate, under the Resolution shall have occurred and be continuing and no event shall have occurred and be continuing which, with the passage of time or the giving of notice or both, would constitute such an Event of Default or event of default.
- (c) No event shall have occurred which, in the opinion of nationally recognized bond counsel, has the effect of causing the interest payable on a Series of the Series 2007 Bonds to become includable in gross income for federal income tax purposes, or which, in the opinion of securities counsel satisfactory to the Remarketing Agent, requires registration or qualification of a Series of Series 2007 Bonds or the Resolution under any federal or state securities laws, provided if, in the reasonable judgment of the Remarketing Agent, an occurrence of an event described in this paragraph (c) with respect to a Series of the Series 2007 Bonds materially adversely affects the marketability of the other Series of the Series 2007 Bonds, then the Remarketing Agent shall have no obligation to remarket such other Series of the Series 2007 Bonds.
- Section 7. Representations of the Regents Regarding the Official Statement. The Regents represent, warrant, covenant and agree with the Remarketing Agent that the information contained in the Official Statement dated October \_\_\_\_\_, 2007, including any supplements or amendments thereto, in the sections titled "INTRODUCTION The University of Idaho" and

- "-- Purpose of the Series 2007 Bonds;" "PLAN OF FINANCE The Refunding Project" and "-- The Series 2007B Project," "PRO FORMA AND HISTORICAL PLEDGED REVENUES," "THE UNIVERSITY," "SOURCES OF FUNDING FOR THE UNIVERSITY," "UNIVERSITY GOVERNANCE AND ADMINISTRATION," and "LITIGATION" and in Appendices A and B as of the Closing Date, does not contain any untrue statement of a material fact and does not omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.
- Section 8. <u>Representation of the Remarketing Agent</u>. The Remarketing Agent represents and warrants to the Regents as follows:
- (a) The Remarketing Agent has been duly incorporated and is validly existing and in good standing under the laws of the state of its incorporation and is qualified and in good standing in all states and has all licenses necessary for it to perform its obligations hereunder;
- (b) The Remarketing Agent has full power and authority to take all action required to be taken by it by or under, and to perform and observe the covenants and agreements on its part contained in this Remarketing Agreement and the Resolution;
- (c) The Remarketing Agent has, on or before the date hereof, duly taken all action necessary to be taken by it prior to such date for the execution, delivery and performance of this Remarketing Agreement and the carrying out, giving effect to and the consummation and performance of the transactions and obligations contemplated hereby and by the Resolution;
- (d) This Remarketing Agreement when executed and delivered by the parties hereto, will constitute a valid and binding obligation of the Remarketing Agent enforceable against the Remarketing Agent in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws, judicial decisions or principles of equity relating to or affecting the enforcement of creditors rights; and
- (e) The execution and delivery of this Remarketing Agreement, the compliance with the terms, conditions or provisions hereof, and the consummation of the transactions herein contemplated do not, upon the date of execution and delivery hereof, and will not violate any presently existing law, regulation, order, writ, injunction or decree of any court or governmental instrumentality applicable to the Remarketing Agent.
- Section 9. <u>Dealing in Series 2007 Bonds by the Remarketing Agent.</u> The Remarketing Agent, not in its individual capacity, but in its capacity as remarketing agent, either as principal or agent, may in good faith buy, sell, own, hold and deal in any of the Series 2007 Bonds, and may join in any action which any owner of Series 2007 Bonds tendered for purchase may be entitled to take with like effect as if it did not act in any capacity hereunder. The Remarketing Agent, in its individual capacity, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Regents and may act as depository, trustee or agent for any committee or body of holders of Series 2007 Bonds or other obligations of the Regents as freely as if it did not act in any capacity hereunder.
- Section 10. <u>Fees and Expenses</u>. For so long as a Weekly Interest Rate Period or a Term Interest Rate Period of less than one year applies to a Series of Series 2007 Bonds, the

Regents shall pay the Remarketing Agent an ongoing remarketing fee of 0.10% of the then weighted average outstanding principal amount of such Series of Series 2007 Bonds for the prior year multiplied by a fraction the numerator of which is the actual number of days elapsed since the last payment date and the denominator of which is 365, payable quarterly in arrears, on each February 1, May 1, August 1, and November 1, beginning on the first February 1, May 1, August 1 or November 1 following Conversion of a Series of Series 2007 Bonds into such Interest Rate Period. When Series 2007 Bonds of a Series are remarketed in connection with the Conversion of the then applicable Interest Rate Period to a period other than the Weekly Interest Rate Period or a Term Interest Rate Period of less than one year, the Regents and the Remarketing Agent will agree on a fee prior to such Conversion. In addition to the above, the Regents shall pay all reasonable expenses of delivering remarketed Series 2007 Bonds and reimburse the Remarketing Agent for all reasonable direct, out-of-pocket expenses incurred by the Remarketing Agent which relate, directly or indirectly, to the remarketing of the Series 2007 Bonds as contemplated The fees and other amounts payable under this Section 10 shall be payable in immediately available funds to the Remarketing Agent, at the Remarketing Agent's office at 717 17<sup>th</sup> Street, Suite 2500, Denver, Colorado 80202, Attention: Remarketing Department, or at such other address as the Remarketing Agent may provide in writing. Any fees due from the Regents hereunder which are not paid when due shall continue to accrue and be an obligation of the Regents until paid.

Responsibilities of Remarketing Agent. The duties of the Remarketing Section 11. Agent hereunder shall be solely as provided herein and in the Resolution, as amended and supplemented, and no implied covenant or obligation shall be read into this Remarketing Agreement against the Remarketing Agent. Unless otherwise agreed to in writing, the Remarketing Agent's obligations hereunder to remarket each Series of Series 2007 Bonds shall be on a best-efforts basis, and the Remarketing Agent shall not be obligated to underwrite the Series 2007 Bonds tendered for repurchase as provided in the Resolution, and nothing contained herein shall be construed so as to make the Remarketing Agent an underwriter of the Series 2007 Bonds. The Remarketing Agent may consult with counsel of its choice, including in-house counsel, and shall not be liable for any action taken in good faith and reliance upon advice of such counsel, except for liabilities, losses, damages, costs, expenses and fees arising out of the gross negligence or willful misconduct of the Remarketing Agent or any of its employees or agents. Except as otherwise provided herein, the Remarketing Agent may act or refrain from acting in reliance upon any resolution or other document transmitted to it on behalf of the Regents or the Trustee, if executed on behalf of such entity by any duly authorized representative thereof.

Section 12. Public Distribution. The parties hereto further acknowledge that a remarketing of Series 2007 Bonds in connection with establishing new Interest Rate Period for a Series of Series 2007 Bonds will require the preparation and distribution of a revised offering statement or a separate preliminary and/or final offering statement and a public distribution of such Series of Series 2007 Bonds. In connection with any such distribution, the Regents hereby agree to provide the Remarketing Agent with such information, opinions of counsel, accountants letters and certificates as may be reasonably requested by the Remarketing Agent and its counsel. All expenses related to the foregoing shall be paid by the Regents, except for expenses customarily paid for by placement or remarketing agents of similar securities.

Section 13. <u>Notices</u>. Unless otherwise provided herein, all notices, requests, certificates or other communications hereunder shall be sufficiently given if the same shall be duly mailed by registered or certified mail, return receipt requested, postage prepaid, or delivered by special courier or sent by an electronic method capable of creating written documents, in any case addressed as follows:

If to the Regents to: The Regents of the University of Idaho

Administration Building, Room 211

PO Box 443168

Moscow, Idaho 83844-3168

Attention: Vice President for Finance and

Administration and Bursar

If to the Trustee to: Wells Fargo Bank, National Association

877 W. Main Street, 3rd Floor

MAC U1858-033 Boise, ID 83702

Attention: Corporate Trust

If to the Remarketing

Agent to:

George K. Baum & Company 717 17<sup>th</sup> Street, Suite 2500

Denver, Colorado 80202 Attention: Short Term Desk

If to the Liquidity

Facility Provider to: Dexia Credit Local

New York Branch 445 Park Avenue

New York, New York 10022

Attention: Manager, Public Finance

If to the Insurer to: Financial Security Assurance Inc.

31 West 52<sup>nd</sup> Street

New York, New York 10019

Attention: Managing Director-Surveillance

Section 14. <u>Term of Remarketing Agreement</u>. Subject to earlier termination in accordance with the terms hereof and the Resolution, this Remarketing Agreement shall terminate with respect to a Series of Series 2007 Bonds on the earlier of (i) the date of payment in full of such Series of Series 2007 Bonds or (ii) Conversion of such Series of Series 2007 Bonds to a Term Interest Rate Period which ends on the day immediately preceding the maturity date of such Series of Series 2007 Bonds.

#### Section 15. Miscellaneous.

(a) The Liquidity Facility Provider shall be a third party beneficiary of this Remarketing Agreement.

- (b) This Remarketing Agreement shall be governed by and construed in accordance with the laws of the State of Idaho without giving effect to its choice of law principles and shall be binding upon the successors and assigns, if any, of the parties hereto.
- (c) The Remarketing Agent's duties and obligations as Remarketing Agent for the Series 2007 Bonds shall be governed solely by the terms of this Remarketing Agreement and the Resolution. Any conflict between the terms of the Resolution and this Remarketing Agreement will be resolved in favor of the Resolution.
- (d) Anything in this Remarketing Agreement or in the Resolution to the contrary notwithstanding, except as provided herein, the Remarketing Agent shall not be required to advance any of its own funds or otherwise incur financial liabilities in carrying out its duties hereunder.
- (e) Any certificate authorized by any officer or agent of the Regents, signed by any officer or agent of the Regents and delivered to the Remarketing Agent, shall be deemed a representation by the Regents to the Remarketing Agent as to the statements made therein.
- (f) This Remarketing Agreement may be amended only by written agreement signed by the Regents and the Remarketing Agent and consented to by the Liquidity Facility Provider.
- (g) Any amendment or supplement of the Resolution which affects the rights, duties or obligations of the Remarketing Agent under the Resolution shall require the Remarketing Agent's prior written consent.
- (h) This Remarketing Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall constitute an original, but such counterparts together shall constitute but one and the same agreement.

IN WITNESS WHEREOF, the Regents and the Remarketing Agent have caused this Agreement to be executed in their respective corporate capacities, all as of the date first written above.

GEORGE K. BAUM & COMPANY

Administration and Bursar

By:	Its: Executive Vice President
THE IDAH	REGENTS OF THE UNIVERSITY OF HO
By:	Lloyd Mues, Vice President for Finance and

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## BUSINESS AFFAIRS AND HUMAN RESOURCES OCTOBER 11-12, 2007

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#### CONTINUING DISCLOSURE AGREEMENT

**Between** 

#### THE REGENTS OF THE UNIVERSITY OF IDAHO

and

WELLS FARGO BANK, N.A. as Trustee and Dissemination Agent

Dated as of October 1, 2007

Relating to

THE REGENTS OF THE UNIVERSITY OF IDAHO
\$\_\_\_\_\_
Adjustable Rate General Revenue Refunding Bonds, Series 2007A

and

\$\_\_\_\_\_Adjustable Rate General Revenue Bonds, Series 2007B

#### CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") dated as of October 1, 2007, is entered into by and between THE REGENTS OF THE UNIVERSITY OF IDAHO (the "Regents"), a body politic and corporate organized and existing under and pursuant to the Constitution and laws of the State of Idaho (the "University"), and WELLS FARGO BANK, N.A., (the "Trustee" and as more particularly defined below, the "Dissemination Agent") in connection with the issuance by the Regents of its \$\_\_\_\_\_\_ Adjustable Rate General Revenue Refunding Bonds, Series 2007A and \$\_\_\_\_\_ Adjustable Rate General Revenue Bonds, Series 2007B (collectively, the "Series 2007 Bonds"). The Series 2007 Bonds are being issued pursuant to a Supplemental Resolution adopted by the Regents on October \_\_\_, 2007 (the "2007 Supplemental Resolution") supplementing that certain Resolution adopted by the Regents on November 22, 1991 (as subsequently amended and supplemented and together with the 2007 Supplemental Resolution, referred to herein as the "Resolution").

The Regents covenant and agree as follows:

SECTION 1. <u>Purpose of the Agreement</u>. This Agreement is being executed and delivered by the Regents for the benefit of the Bondowners and in order to allow the Participating Underwriters (as defined by Rule 15c2-12) to comply with Rule 15c2-12.

SECTION 2. <u>Definitions</u>. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Financial Information" means the financial information or operating data with respect to the University and the Pledged Revenues, delivered at least annually pursuant to Section 3 hereof, of the type set forth in the Official Statement, including but not limited to, such Pledged Revenues and debt service coverage information of the type set forth under the caption "PRO FORMA AND HISTORICAL PLEDGED REVENUES," provided that such information shall be provided only on an actual basis, financial information and operating data set forth under captions "SECURITY FOR THE SERIES 2007 BONDS – Student Fees," " – Sales and Services Revenues," " – Facilities and Administrative Recovery Revenues," " – Other Operating Revenues" and " – Investment Income," "THE UNIVERSITY – Housing and Student Union Facilities," "SOURCES OF FUNDING FOR THE UNIVERSITY – State Appropriations," " – Schedule of Outstanding Indebtedness," the table titled "Five-Year Historical Enrollment Summary" under the caption "THE UNIVERSITY – Student Body," and the table in Appendix B titled "Schedule of Student Fees."

"Audited Financial Statements" means the annual financial statements for the University, prepared in accordance with generally accepted accounting principles as in effect from time to time, audited by a firm of certified public accountants.

"Bondowner" or "owner of the Series 2007 Bonds" means the registered owner of the Series 2007 Bonds, and so long as the Series 2007 Bonds are subject to the book-entry system, any Beneficial Owner as such term is defined in the Resolution.

"Central Post Office" means Disclosure USA, a website accessible at www.disclosureusa.org or any other national central repository authorized by the Securities and Exchange Commission for continuing disclosure filings by issuers of municipal securities pursuant to the Rule 15c2-12.

"Dissemination Agent" means Wells Fargo Bank, N.A., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Regents and which has filed with the Trustee under the Resolution a written acceptance of such designation.

"Events" means any of the events listed in Section 4(a) of this Agreement.

"MSRB" means the Municipal Securities Rulemaking Board. The address of the MSRB as of the date hereof is 1900 Duke Street, Suite 600, Alexandria, Virginia 22314; fax 703-797-6700.

"National Repository" means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule 15c2-12.

"**Official Statement**" means the final Official Statement dated October \_\_\_, 2007 delivered in connection with the original issue and sale of the Series 2007 Bonds.

"Repository" or "Repositories" means each National Repository and the State Repository.

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

"State Repository" shall mean the public or private repository or entity, if any, designated by the State of Colorado as a state information depository for purposes of Rule 15c2-12. As of the date of this Agreement, there is no State Repository for the State of Colorado.

#### SECTION 3. Provision of Annual Information.

- (a) Commencing with the Fiscal Year ended June 30, 2007, and annually while the Series 2007 Bonds remain outstanding, the Regents shall provide to the Dissemination Agent Annual Financial Information and Audited Financial Statements.
- (b) Such Annual Financial Information shall be provided by the Regents not later than [180] days after the end of each Fiscal Year. The Audited Financial Statements will be provided when available but in no event later than 180 days after the end of each Fiscal Year.
- (c) The Regents may provide Annual Financial Information and Audited Financial Statements with respect to the University and the Pledged Revenues by specific cross-reference to other documents which have been submitted by the Dissemination Agent to the Repositories or the Central Post Office or filed with the Securities and Exchange Commission. If the document so referenced is a final official statement within the meaning of Rule 15c2-12, such final official statement must also be available from the MSRB. The Regents shall clearly identify each such other document so incorporated by cross-reference.
- (d) The Dissemination Agent shall provide Annual Financial Information and Audited Financial Statements to the Repositories or the Central Post Office on or before the tenth day after the Dissemination Agent receives such Annual Financial Information and Audited Financial Statements. The Regents shall include with each submission of Annual Financial Information to the Dissemination Agent a written representation addressed to the Dissemination Agent to the effect that the Annual Financial Information is the Annual Financial Information required by this Agreement and that it complies with the applicable requirements of this Agreement.

#### SECTION 4. Reporting of Events.

- (a) This Section 4 shall govern the giving of notices of the occurrence of any of the following Events with respect to the Series 2007 Bonds:
  - 1. Principal and interest payment delinquencies.
  - 2. Non-payment related defaults.
  - 3. Unscheduled draws on debt service reserves reflecting financial difficulties.
  - 4. Unscheduled draws on any credit enhancement relating to the Series 2007 Bonds reflecting financial difficulties.
  - 5. Substitution of credit or liquidity providers, or their failure to perform.
  - Adverse tax opinions or events affecting the tax-exempt status of the Series 2007 Bonds.
  - 7. Modifications to the rights of the security holders.
  - 8. Bond calls (other than mandatory sinking fund redemption).
  - 9. Defeasances.
  - 10. Release, substitution or sale of property securing repayment of the securities.
  - 11. Rating changes.
- (b) At any time when the Series 2007 Bonds are Outstanding and the Regents obtain knowledge of the occurrence of an Event, the Regents shall determine if such Event would constitute material information for owners of Series 2007 Bonds, *provided*, that any Event under subsection (a)(7), (8) or (11) will always be deemed to be material.
- (c) If the Regents determine that knowledge of the occurrence of an Event would be material, the Regents shall provide, in a timely manner, to the Dissemination Agent and the Dissemination agent shall promptly file a notice of such occurrence with the MSRB and either the Repositories or the Central Post Office. Notwithstanding the foregoing, notice of Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Series 2007 Bonds pursuant to the Resolution.
- (d) The Dissemination Agent, if the Dissemination Agent is also the Trustee, shall promptly advise the Regents whenever, in the course of performing its duties as Trustee under the Resolution, it identifies an occurrence of an Event which, if material, would require the Regents to provide a notice pursuant to subsection (c) above; provided that the failure of the Dissemination Agent so to advise the Regents of such occurrence shall not constitute a breach by the Dissemination Agent, in its capacity as Trustee, of any of its duties and responsibilities hereunder or under the Resolution.
- (e) At any time the Series 2007 Bonds are outstanding, the Dissemination Agent shall, without further direction or instruction from the Regents, provide in a timely manner to the MSRB and either the Repositories or the Central Post Office notice of any failure by the Regents to provide Annual Financial Information and Audited Financial Statements as specified in Section 3 hereof.

#### SECTION 5. Concerning the Dissemination Agent.

- (a) The Dissemination Agent shall not have any obligation to examine or review the Annual Financial Information and Audited Financial Statements and neither shall it have a duty to verify the accuracy or completeness of the Annual Financial Information and Audited Financial Statements.
- (b) Solely for the purpose of (i) defining the standards of care and performance, including indemnification, applicable to the Dissemination Agent in the performance of its obligations under this Agreement, (ii) the manner of execution by the Dissemination Agent of those obligations, and (iii) matters of removal, resignation, succession of the Dissemination Agent under this Agreement, Article VIII of the Resolution is hereby made applicable to this Agreement as if this Agreement was (solely for this purpose) contained in the Resolution; provided that the Dissemination Agent shall have only such duties under this Agreement as are specifically set forth in this Agreement. Except as provided in Section 4(e) hereof, the Dissemination Agent shall have no duty to investigate or monitor compliance by the Regents with the terms of this Agreement.

SECTION 5. <u>Term.</u> This Agreement shall be in effect from and after the issuance and delivery of the Series 2007 Bonds and shall extend to the earliest of (a) the date all principal and interest on the Series 2007 Bonds shall have been deemed paid pursuant to the terms of the Resolution; (b) the date that the Regents shall no longer constitute an "obligated person" with respect to the Series 2007 Bonds within the meaning of Rule 15c2-12; and (c) the date on which those portions of Rule 15c2-12 which require this Agreement are determined to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Series 2007 Bonds, which determination may be made in any manner deemed appropriate by the Regents, including by an opinion of any attorney or firm of attorneys experienced in federal securities laws selected by the Regents. The Regents shall provide a notice of any such termination with the Dissemination Agent who shall file such notice with either the Repositories or the Central Post Office and the MSRB.

SECTION 6. <u>Amendment; Waiver</u>. Notwithstanding any other provision of this Agreement, the Regents may amend this Agreement, and any provision of this Agreement may be waived, if such amendment or waiver is consistent with Rule 15c2-12. Written notice of any such amendment or waiver shall be provided by the Regents to the Dissemination Agent who shall file it with either the Repositories or the Central Post Office and to the MSRB, and the Annual Financial Information shall explain the reasons for the amendment and the impact of any change in the type of information being provided. If any amendment changes the accounting principles to be followed in preparing financial statements, the Annual Financial Information for the year in which the change is made will present a comparison between the financial statement or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 7. <u>Additional Information</u>. Nothing in this Agreement shall be deemed to prevent the Regents from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other annual information or notice of occurrence of an event which is not an Event, in addition to that which is required by this Agreement; provided that the Regents shall not be required to do so. If the Regents choose to include any annual information or notice of occurrence of an event in addition to that which is specifically required by this Agreement, the Regents shall have no obligation under this Agreement to update such information or include it in any future annual filing or notice of occurrence of an Event.

SECTION 8. <u>Default and Enforcement</u>. If the Regents fail to comply with any provision of this Agreement, any Bondowner may take action to seek specific performance by court order to compel the Regents to comply with its undertaking in this Agreement; provided that any Bondowner seeking to

require the Regents to so comply shall first provide at least 30 days' prior written notice to the Regents of the Regents' failure (giving reasonable details of such failure), following which notice the Regents shall have 30 days to comply and, provided further, that only the owners of no less than a majority in aggregate principal amount of the Series 2007 Bonds may take action to seek specific performance in connection with a challenge to the adequacy of the information provided by the Regents in accordance with this Agreement, after notice and opportunity to comply as provided herein, and such action shall be taken only in a court of jurisdiction in the State of Idaho. A DEFAULT UNDER THIS AGREEMENT SHALL NOT BE DEEMED AN EVENT OF DEFAULT UNDER THE RESOLUTION OR THE SERIES 2007 BONDS, AND THE SOLE REMEDY UNDER THIS AGREEMENT IN THE EVENT OF ANY FAILURE OF THE REGENTS TO COMPLY WITH THIS AGREEMENT SHALL BE AN ACTION TO COMPEL PERFORMANCE.

SECTION 9. <u>Beneficiaries</u>. The Agreement shall inure solely to the benefit of the Regents, the Participating Underwriters and owners from time to time of the Series 2007 Bonds, and shall create no rights in any other person or entity.

Date: October, 2007	
	THE REGENTS OF THE UNIVERSITY OF IDAHO
	By:
	Administration and Bursar

#### STANDBY BOND PURCHASE AGREEMENT

among

THE REGENTS OF THE UNIVERSITY OF IDAHO, as the Issuer,

WELLS FARGO BANK, NATIONAL ASSOCIATION, as the Trustee

and

DEXIA CREDIT LOCAL, acting through its New York Branch, as the Bank

in connection with

\$[Par Amount]
THE REGENTS OF THE UNIVERSITY OF IDAHO
ADJUSTABLE RATE GENERAL REVENUE REFUNDING BONDS
SERIES 2007A

Dated as of October 1, 2007

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#### STANDBY BOND PURCHASE AGREEMENT

THIS STANDBY BOND PURCHASE AGREEMENT (this "Agreement") dated October 1, 2007 is among THE REGENTS OF THE UNIVERSITY OF IDAHO, a state institution of higher education and body politic and corporate organized and existing under and pursuant to the Constitution and laws of the State of Idaho (the "Issuer"), WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association having trust powers, as Trustee under that certain Resolution, as hereinafter defined (together with any successors thereto, the "Trustee"), and DEXIA CREDIT LOCAL, a banking corporation duly organized and existing under the laws of the Republic of France, acting through its New York Branch (the "Bank").

#### WITNESSETH:

WHEREAS, the Regents of the University of Idaho (the "Regents") are authorized, pursuant to the Educational Institutions Act of 1935, the same being chapter 38, Title 33, Idaho Code and Chapter 2, Title 57 (collectively, the "Act"), and the Constitution of the State of Idaho, to issue bonds for "projects" as defined in said Act;

WHEREAS, the Regents are authorized pursuant to said Act and pursuant to Title 57, chapter 5, Idaho Code, to issue refunding bonds and bonds for "projects" as defined in said Act;

WHEREAS, on November 22, 1991, the Regents adopted a Resolution, which has been subsequently amended, supplemented and restated (as more particularly defined herein, the "Resolution") relating to the issuance and sale of certain bonds;

WHEREAS, the Regents have determined that certain of the bonds can be refunded in accordance with the Act, and to achieve savings and other objectives that the Regents find to be beneficial to the University in accordance with Title 57, chapter 5, Idaho Code;

WHEREAS, the Regents have determined that certain electrical equipment upgrades and capital maintenance on, and replacement of, portions of the University's utility corridor, central steam plant and central chiller and related improvements (collectively, the "Series 2007B Project") can be financed as a "project" in accordance with the Act;

WHEREAS, in order to refund certain bonds issued under the Resolution and finance the Series 2007B Project, the University desires to issue its \$[Par Amount] aggregate principal amount of Adjustable Rate General Revenue Refunding Bonds, Series 2007A (the "Series 2007A Bonds") and \$[\_\_\_\_\_\_] aggregate principal amount of Adjustable Rate General Revenue Bonds, Series 2007B (the "Series 2007B Bonds") pursuant to a Supplemental Resolution adopted on [\_\_\_\_\_], 2007 (as more particularly defined herein, the "Supplemental Resolution");

WHEREAS, the payment of the principal of and interest on the Series 2007A Bonds (including Purchased Series 2007A Bonds, as hereinafter defined) when due is to be insured by a municipal bond insurance policy (together with any and all endorsements thereto, the "Bond Insurance Policy") to be issued by Financial Security Assurance Inc., a New York stock

insurance company (together with its successors and assigns, the "Bond Insurer"), in favor of the holders of the Series 2007A Bonds (including the Bank); and

WHEREAS, the Series 2007A Bonds are subject to purchase from time to time at the option of the owners thereof and are required to be purchased in certain events and, to further assure the availability of funds for the payment of the purchase price therefor, the Issuer has provided for the remarketing of such Series 2007A Bonds and, to the extent such remarketing may not be successful, for the purchase of such Series 2007A Bonds by the provider of a liquidity facility, such provider initially being the Bank under the terms hereof.

NOW, THEREFORE, in consideration of the respective agreements contained herein, the parties hereto agree as follows:

#### ARTICLE I

#### **DEFINITIONS**

Section 1.01. Definitions. The following terms have the meanings indicated below or in the referenced Section of this Agreement, unless the context shall clearly indicate otherwise:

"Alternate Liquidity Facility" means a replacement standby bond purchase agreement or other liquidity facility meeting the requirements of the Resolution.

"Assignee" shall have the meaning assigned to such term in Section 8.03 hereof.

"Available Commitment" means on any day the sum of the Available Principal Commitment and the Available Interest Commitment on such day.

"Available Interest Commitment" initially means \$[Interest Amount], while the Series 2007A Bonds bear interest at a Term Interest Rate, an amount equal to 184 days of interest on the Series 2007A Bonds calculated at an assumed rate of [12]% per annum based on a year of 360 days consisting of twelve 30-day months and while the Series 2007A Bonds bear interest at a Weekly Interest Rate, an amount equal to [\_\_\_\_] days of interest on the Series 2007A Bonds calculated at an assumed rate of [12]% per annum based on a year of 365 days for the actual number of days elapsed payable monthly in arrears and thereafter means such amount adjusted from time to time as follows: (a) downward by an amount that bears the same proportion to such amount as the amount of any reduction in the Available Principal Commitment pursuant to the definition of "Available Principal Commitment" bears to the Available Principal Commitment prior to such reduction; (b) upward by an amount that bears the same proportion to such amount as the amount of any increase in the Available Principal Commitment pursuant to clause (c) of the definition of "Available Principal Commitment" bears to the Available Principal Commitment prior to such increase; and (c) downward by the amount of any reduction of the Available Interest Commitment pursuant to Section 2.03(b) hereof; provided that after giving effect to such adjustments the Available Interest Commitment shall never exceed \$[Interest Amount]. Any adjustments pursuant to clauses (a) and (b) above shall occur simultaneously with the event requiring such adjustment.

"Available Principal Commitment" initially means \$[Par Amount], constituting the principal amount of the Series 2007A Bonds, and thereafter means such amount adjusted from time to time as follows: (a) downward by the amount of any reduction of the Available Principal

Commitment pursuant to Section 2.03 hereof; (b) downward by the principal amount of any Series 2007A Bonds purchased by the Bank pursuant to Section 2.02 hereof; and (c) upward by the principal amount of any Series 2007A Bonds theretofore purchased by the Bank pursuant to Section 2.02 hereof that are resold by a Purchased Series 2007A Bondholder pursuant to Section 2.04(b) hereof or which are retained by a Purchased Series 2007A Bondholder and cease to bear interest at the Purchased Series 2007A Bond Rate pursuant to Section 2.04(d) hereof; provided that after giving effect to such adjustments the Available Principal Commitment shall never exceed \$[Par Amount]. Any adjustments pursuant to clauses (a), (b) and (c) above shall occur simultaneously with the event requiring such adjustment.

"Bank" shall have the meaning assigned to that term in the introductory paragraph of this Agreement.

"Base Rate" means the higher of (a) the fluctuating rate per annum equal to the "prime rate" listed daily in the "Money Rate" section of The Wall Street Journal, or if The Wall Street Journal is not published on a particular Business Day, then, the "prime rate" published in any other national financial journal or newspaper selected by the Bank, and if more than one such rate is listed in the applicable publication, the highest such rate shall be used, or (b) the Fed Funds Rate plus 0.50%. Any change in the Base Rate shall take effect on the date specified in the announcement of such change.

"Bond Insurance Policy" shall have the meaning assigned to that term in the recitals to this Agreement.

"Bond Insurer" shall have the meaning assigned to that term in the recitals to this Agreement.

"Bond Insurer Event of Insolvency" means the occurrence and continuance of one or more of the following events: (a) the issuance, under Article 74 of the Insurance Law of New York or any successor provision thereof (or any other law to which the Bond Insurer is at the time subject), of an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution of the Bond Insurer that is not dismissed within 90 days; (b) the commencement by the Bond Insurer of a voluntary case or other proceeding seeking an order for relief, liquidation, supervision, rehabilitation, conservation, reorganization or dissolution with respect to itself or its debts under the laws of the state of incorporation or formation of the Bond Insurer or any bankruptcy, insolvency or other similar law now or hereafter in effect including, without limitation, the appointment of a trustee, receiver, liquidator, conservator, custodian or other similar official for itself or any substantial part of its property; (c) the consent of the Bond Insurer to any relief referred to in the preceding clause (b) in an involuntary case or other proceeding commenced against it; (d) the making by the Bond Insurer of an assignment for the benefit of creditors; (e) the failure of the Bond Insurer generally to pay its debts or claims as they become due; provided that any failure by the Bond Insurer to make payment on any municipal bond insurance policy (i) that is being contested in good faith or (ii) with respect to which 30 days have not elapsed, shall not constitute a failure by the Bond Insurer generally to pay its debts or claims as they become due; or (f) the initiation by the Bond Insurer of any actions to authorize any of the foregoing.

"Bond Purchase Agreement" means the Bond Purchase Contract, dated October [\_\_], 2007, between the Issuer and George K. Baum & Company, as amended or supplemented in accordance with the terms hereof or thereof.

"Bond Register" means the bond register maintained by the Trustee or other bond registrar designated in the Resolution in accordance with the Resolution.

"Bonds" shall have the meaning assigned to that term in the Resolution.

"Book-Entry Series 2007A Bonds" means the Series 2007A Bonds so long as the bookentry system with DTC is used for determining beneficial ownership of the Series 2007A Bonds.

"Business Day" shall have the meaning assigned to that term in the Resolution.

"Capped Rate" means the lesser of (i) 25% per annum and (ii) the maximum rate permitted by applicable law.

"Change of Law" means the adoption of, or change in, after the Effective Date, any law, rule, regulation, statute, treaty, guideline or directive of any Governmental Authority or the occurrence of the effective date of any of the foregoing if adopted prior to the Effective Date, or any change after the Effective Date in the application, interpretation or enforcement of any of the foregoing.

"Code" means the Internal Revenue Code of 1986, as amended.

"Debt" means (a) indebtedness or liability for borrowed money, or for the deferred purchase price of property or services; (b) obligations as lessee under leases which are, should be or should have been reported as capital leases in accordance with Generally Accepted Accounting Principles; (c) current liabilities in respect of unfunded vested benefits under plans covered by Title IV of ERISA; (d) all guarantees, endorsements (other than for collection or deposit in the ordinary course of business) and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any Person or otherwise to assure a creditor against loss; (e) obligations secured by any mortgage, lien, pledge, security interest or other charge or encumbrance on property, whether or not the obligations have been assumed; and (f) all other items or obligations which would be included in determining total liabilities on the balance sheet of a Person; *provided*, *however*, that "Debt" shall not include trade payables and similar obligations incurred in the ordinary course of business.

"Defaulted Interest" means accrued interest payable on a Series 2007A Bond that was not paid when due under the terms of the Resolution.

"Default Rate" means a rate per annum equal to the Base Rate plus an amount equal to 3.00%.

"Differential Interest Amount" means, with respect to any Purchased Series 2007A Bond, the excess of (a) interest which has accrued and could actually be paid on such Purchased Series 2007A Bond at the Purchased Series 2007A Bond Rate, as determined in accordance with Section 3.01 hereof, up to but excluding the Sale Date, less (b) the amount of interest on such Purchased Series 2007A Bond received by the Purchased Series 2007A Bondholder on the Sale Date as part of the Sale Price. "Differential Interest Amount" shall not include the Final Excess Series 2007A Bond Interest Amount.

"Dollars" and "\$" means the lawful currency of the United States of America.

"DTC" means The Depository Trust Company.

"Effective Date" means October [\_\_], 2007.

"Eligible Series 2007A Bonds" means any Series 2007A Bond other than Series 2007A Bonds owned by, for the account of, or on behalf of, the Issuer, and excludes, in any event, Purchased Series 2007A Bonds and Series 2007A Bonds that have been removed from coverage under this Agreement by redemption, defeasance or substitution of an Alternate Liquidity Facility.

"Event of Default" shall have the meaning assigned to that term in Section 7.02 hereof.

"Event of Termination" shall have the meaning assigned to that term in Section 7.01 hereof.

"Excess Series 2007A Bond Interest" shall have the meaning assigned to that term in Section 3.01(c) hereof.

"Excess Series 2007A Bond Interest Amount" shall have the meaning assigned to that term in Section 3.01(c) hereof.

"Extended Purchase Period" shall have the meaning assigned to that term in Section 8.10 hereof.

"Fed Funds Rate" means for any day, a fluctuating interest rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Bank from three federal funds brokers of recognized standing selected by it.

"Fee Payment Date" means the first Business Day of each January, April, July and October during the Purchase Period.

"Final Excess Series 2007A Bond Interest Amount" shall have the meaning assigned to that term in Section 3.01(c) hereof.

"Fitch" means Fitch, Inc., and any successor rating agency thereto, if Fitch has assigned a financial strength rating to the Bond Insurer.

"Generally Accepted Accounting Principles" means generally accepted accounting principles consistently applied and maintained throughout the period indicated and consistent with the prior financial practice of the Issuer, except for changes permitted by the Financial Accounting Standards Board or any similar accounting authority of comparable standing.

"Governmental Authority" means any national, state or local government (whether domestic or foreign), any political subdivision thereof or any other governmental, quasi governmental, judicial, public or statutory instrumentality, authority, body, agency, bureau, central bank or comparable authority.

"Interest Component" shall have the meaning assigned to that term in Section 2.01 hereof.

"Interest Payment Date" with respect to Purchased Series 2007A Bonds means the first Business Day of each calendar month and, with respect to Series 2007A Bonds that are not Purchased Series 2007A Bonds, shall have the meaning assigned to that term in the Resolution.

"Issuer" shall have the meaning assigned to that term in the introductory paragraph of this Agreement.

"Mandatory Purchase Date" means each date Series 2007A Bonds are required to be purchased pursuant to the Resolution.

"Maximum Recoverable Rate" means the lesser of (a) 30% per annum and (b) the maximum rate of interest on the relevant obligation permitted by applicable law.

"Moody's" means Moody's Investors Service, Inc., and any successor rating agency thereto.

"Non-Covered Interest Rate" means the Purchased Series 2007A Bond Rate or a Term Interest Rate on the Series 2007A Bonds fixed to maturity.

"Notice of Extension" means a notice in the form of Exhibit C attached hereto.

"Notice of Purchase" means a notice in the form of Exhibit A attached hereto.

"Notice of Termination" means a notice in the form of Exhibit B attached hereto.

"Notice of Unremarketed Series 2007A Bonds" means a notice in the form of Exhibit D attached hereto.

"Official Statement" means the Official Statement of the Issuer, dated October [\_\_], 2007 with respect to the Series 2007 Bonds, and any supplement thereto used with respect to the Series 2007A Bonds.

"Outstanding" has the meaning assigned to such term in the Resolution.

"Participant" means any entity to which the Bank has sold a participation in this Agreement pursuant to Section 8.03 hereof.

"Permitted Minimum Bond Insurer Ratings" means a financial strength rating by Moody's of "Aa3" (or its equivalent) or higher, by S&P of "AA-" (or its equivalent) or higher and by Fitch of "AA-" (or its equivalent) or higher.

"Person" means an individual, a corporation, a partnership, a limited liability corporation, an association, a trust or any other entity or organization, including a government or a political subdivision or an agency or instrumentality thereof.

"Pledged Revenues" has the meaning assigned to such term in the Resolution.

"Potential Event of Termination" shall have the meaning assigned to that term in Section 7.03(d) hereof.

"Purchase Date" means a Business Day during the Purchase Period on which the Bank is required to purchase Tendered Series 2007A Bonds pursuant to Section 2.02 hereof.

"Purchase Notice" shall have the meaning assigned to that term in Section 2.04(b) hereof.

"Purchase Period" means the period from the Effective Date to and including 5:00 p.m. on the earliest to occur of (a) the Stated Expiration Date, (b) the date of receipt by the Bank of a

certificate signed by the Trustee stating that this Agreement has been terminated pursuant to the terms of the Resolution because (i) an Alternate Liquidity Facility has been provided and become effective under the Resolution, provided that this Agreement shall not terminate until the Bank has purchased any Series 2007A Bonds required to be purchased pursuant to any mandatory tender resulting from the provision of any Alternate Liquidity Facility, (ii) no Series 2007A Bonds remain Outstanding under the Resolution or (iii) all of the Series 2007A Bonds have been converted to a Non-Covered Interest Rate, (c) the date specified in a written notice delivered by the Issuer to the Bank that the Issuer has elected to terminate this Agreement pursuant to Section 8.09(b) hereof, or (d) the Purchase Termination Date.

"Purchase Price" means an amount equal to 100% of the unpaid principal amount of any Tendered Series 2007A Bond, plus accrued and unpaid interest thereon from and including the Interest Payment Date next preceding the Purchase Date thereof, in each case, without premium, to the Purchase Date; *provided, however*, that if the Purchase Date is an Interest Payment Date, then the Purchase Price shall not include accrued and unpaid interest; and provided, further that the aggregate amount of the Purchase Price constituting the Interest Component shall not exceed the amount specified in Section 2.01 hereof.

"Purchase Termination Date" means the date on which the Bank is no longer required to purchase Tendered Series 2007A Bonds pursuant to Section 7.03(a), (b), (c) or (d) hereof.

"Purchased Series 2007A Bondholder" means the Bank (in its capacity as owner (which shall include beneficial owner if the Series 2007A Bonds are Book-Entry Series 2007A Bonds) of Purchased Series 2007A Bonds pursuant to this Agreement) and any Assignee and other Person to whom the Bank has sold Purchased Series 2007A Bonds or beneficial interests therein pursuant to Section 2.04(a) hereof.

"Purchased Series 2007A Bond Rate" means the interest rate applicable from time to time to Purchased Series 2007A Bonds, as specified in Section 3.01 of this Agreement.

"Purchased Series 2007A Bonds" means each Series 2007A Bond purchased with funds provided by the Bank under this Agreement, until such Series 2007A Bonds are remarketed in accordance with Section 2.04(b) hereof or cease to bear interest at the Purchased Series 2007A Bond Rate pursuant to Section 2.04(c) hereof and defined as "Liquidity Facility Provider Bonds" in the Resolution.

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"Related Documents" means this Agreement, the Resolution, the Series 2007 Bonds, the Series 2007B Liquidity Facility, the Bond Insurance Policy, the Bond Purchase Agreement, the Official Statement, the Remarketing Agreement, any authorizing resolutions of the Issuer, and any exhibits, instruments or agreements relating thereto, as the same may be amended from time to time in accordance with their respective terms and the terms hereof.

"Remarketing Agent" means George K. Baum & Company and its successors and assigns or any successor remarketing agent appointed pursuant to the Resolution.

"Remarketing Agreement" means the Remarketing Agreement dated as of October 1, 2007 between the Issuer and the Remarketing Agent, as amended or supplemented in accordance with the terms hereof or thereof, or such other agreement as may be entered into with any remarketing agent with respect to the remarketing of the Series 2007A Bonds.

"Resolution" means the Resolution adopted by the Regents on November 22, 1991, as previously amended, supplemented and restated, including by the Supplemental Resolution.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and any successor rating agency thereto.

"Sale Date" shall have the meaning assigned to that term in Section 2.04(b) hereof, and shall not be earlier than the second Business Day following the Business Day on which a Purchased Series 2007A Bondholder receives a Purchase Notice in accordance with Section 2.04(b) hereof.

"Sale Price" shall have the meaning assigned to that term in Section 2.04(b) hereof.

"Section 3.01(a) Rate" shall have the meaning set forth in Section 3.01(c) hereof.

"Series 2007 Bonds" means, collectively, the Series 2007A Bonds and the Series 2007B Bonds.

"Series 2007A Bonds" shall have the meaning assigned to that term in the recitals to this Agreement and shall include, unless the context otherwise requires, all Purchased Series 2007A Bonds.

"Series 2007B Bonds" shall have the meaning assigned to that term in the recitals to this Agreement.

"Series 2007B Liquidity Facility" means the Standby Bond Purchase Agreement dated as of October 1, 2007 among the Issuer, the Trustee and the Bank, as amended or supplemented in accordance with the terms hereof or thereof, or a replacement standby bond purchase agreement or other liquidity facility with respect to the Series 2007B Bonds meeting the requirements of the Resolution.

"Stated Expiration Date" means 5:00 p.m. on the later of (a) October [\_\_], 2019, or (b) the last day of any extension of such date pursuant to Section 8.10 hereof; *provided*, *however*, that if the date specified in (a) or (b), as applicable, is not a Business Day, "Stated Expiration Date" shall mean the next preceding Business Day.

"Supplemental Resolution" means the Supplemental Resolution of the Issuer adopted on [\_\_\_\_\_\_], 2007, authorizing the Series 2007 Bonds.

"Taxes" has the meaning set forth in Section 2.07(c) hereof.

"Tendered Series 2007A Bonds" means, as of any date, Eligible Series 2007A Bonds that are tendered, or deemed tendered, for purchase pursuant to the Resolution.

"Term Interest Rate" shall have the meaning assigned to that term in the Supplemental Resolution.

"Term-Out Commencement Date" shall have the meaning assigned to that term in Section 3.03(a) hereof.

"Termination Event" shall have the meaning assigned to that term in Section 7.03(a) hereof.

"Trustee" shall have the meaning assigned to that term in the introductory paragraph of this Agreement.

"Underlying Bond Rating" means any unenhanced credit rating of the Series 2007A Bonds by Moody's or S&P.

"Weekly Interest Rate" shall have the meaning assigned to that term in the Supplemental Resolution.

- Section 1.02. <u>Incorporation of Certain Definitions by Reference</u>. Each capitalized term used but not defined herein shall have the meaning assigned to such term in the Resolution.
- Section 1.03. <u>Computation of Time Periods</u>. In this Agreement, in the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding."

Section 1.04. Construction. Unless the context of this Agreement otherwise clearly requires, references to the plural include the singular, the singular includes the plural and the part includes the whole and "or" has the inclusive meaning represented by the phrase "and/or." The words "hereof," "herein," "hereunder" and similar terms in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. The word "including" has the meaning "including, but not limited to." The section headings contained in this Agreement and the table of contents preceding this Agreement are for reference purposes only and shall not control or affect the construction of this Agreement or the interpretation thereof in any respect. Section, subsection and exhibit references are to this Agreement unless otherwise specified.

Section 1.05. <u>Accounting Terms and Determinations</u>. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared, in accordance with Generally Accepted Accounting Principles.

Section 1.06. Time. All times are the time then in effect in New York, New York.

### ARTICLE II

# THE COMMITMENT; FEES AND CERTAIN PAYMENTS

## Section 2.01. Commitment to Purchase Series 2007A Bonds.

(a) <u>Commitment</u>. The Bank agrees, on the terms and subject to the satisfaction of the conditions contained in this Agreement, to purchase Eligible Series 2007A Bonds which are tendered or deemed tendered for purchase pursuant to Sections 4.7(a) and 4.8(b) of the Supplemental Resolution for which there are not sufficient remarketing proceeds available for such purchase, for the Bank's own account, from time to time during the Purchase Period at the Purchase Price. The aggregate principal amount (or portion thereof) of any Series 2007A Bond purchased by the Bank on any Purchase Date shall be an authorized denomination applicable to Eligible Series 2007A Bonds pursuant to the Resolution, and the aggregate principal amount of all Series 2007A Bonds purchased on any Purchase Date shall not exceed the Available Principal Commitment on such date. The aggregate amount of the portion of the Purchase Price comprising interest on the Series 2007A Bonds (the "Interest Component") purchased on any Purchase Date shall not exceed the lesser of (i) the Available Interest Commitment on such date

- or (ii) the actual aggregate amount of interest accrued on each such Series 2007A Bond, other than Defaulted Interest, to such Purchase Date; *provided, however*, that in the event the Purchase Date is also an Interest Payment Date for the Series 2007A Bonds to be purchased, no accrued interest on such Series 2007A Bonds shall be included in the Purchase Price. Any Series 2007A Bonds so purchased shall thereupon constitute Purchased Series 2007A Bonds and shall, from the date of such purchase and while they are Purchased Series 2007A Bonds, bear interest at the Purchased Series 2007A Bond Rate and have other characteristics of Purchased Series 2007A Bonds as set forth herein and in the Resolution.
- (b) <u>Limited Commitment</u>. The Bank's commitment under this Agreement is limited to the purchase of Tendered Series 2007A Bonds, and does not guarantee the payment of principal of or interest on the Series 2007A Bonds.
- (c) <u>Rights of Series 2007A Bondholder</u>. In the event that the Bank purchases any Tendered Series 2007A Bonds in accordance with the provisions of this Section 2.01, in addition to its rights hereunder, the Bank shall be entitled to exercise all of the rights of (except the right to tender Series 2007A Bonds for purchase under the Resolution), and shall be secured to the same extent as, any other holder of Series 2007A Bonds under the Resolution, including, without limitation, the right to receive payments of principal and interest, all rights with respect to payments under the Bond Insurance Policy, the right to have such Purchased Series 2007A Bonds remarketed pursuant to the Resolution and the Remarketing Agreement and all rights under the Resolution upon the occurrence and continuation beyond any applicable grace period of any "event of default" under the Resolution.

# Section 2.02. Method of Purchasing.

Notice of Purchase. On the Business Day immediately preceding the date on which Series 2007A Bonds are subject to tender for purchase by the Bank pursuant to the Resolution, the Trustee shall give written notice to the Bank by facsimile, in the form of Exhibit D, of the principal amount of Series 2007A Bonds to be tendered on the next Business Day that were not remarketed or for which no notice of remarketing was received; provided, however, that the failure of the Trustee to provide such Notice of Unremarketed Series 2007A Bonds shall not, of itself, negate the obligation of the Bank to purchase Series 2007A Bonds upon and subject to the terms and conditions otherwise provided hereunder. By no later than 12:00 noon on the Business Day on which Series 2007A Bonds are subject to an optional tender or mandatory purchase, the Trustee shall give written notice of purchase, by facsimile, in the form of Exhibit A. If the Bank receives such notice at or before 12:00 noon, and subject to the satisfaction of the conditions set forth in Section 5.02 hereof, the Bank will transfer to the Trustee not later than 2:30 p.m. on such date (a "Purchase Date"), in immediately available funds, an amount equal to the aggregate Purchase Price of all or such portion of such Eligible Series 2007A Bonds as requested by the Trustee. Series 2007A Bonds purchased pursuant to this Section 2.02(a) shall be registered in the name of the Bank, or if directed in writing by the Bank its nominee or designee, on the Bond Register and shall be promptly delivered to the Trustee to be held as Purchased Series 2007A Bonds or as the Bank may otherwise direct in writing, and prior to such delivery shall be held in trust by the Trustee for the benefit of the Bank. If the Series 2007A Bonds purchased pursuant to this Section 2.02(a) are Book Entry Series 2007A Bonds, the beneficial ownership of such Series 2007A Bonds shall be credited to the account of the Bank, or

if directed in writing by the Bank, the Trustee or other nominee or designee of the Bank, maintained at DTC.

- (b) Remittance of Extra Funds. In the event that any funds paid by the Bank to the Trustee pursuant to Section 2.02(a) hereof shall not be required to be applied to purchase Series 2007A Bonds as provided herein, such funds shall be returned to the Bank as soon as practicable by the Trustee and until so returned shall be held in trust by the Trustee for the account of the Bank. To the extent any such amounts are not returned to the Bank in immediately available funds by 3:30 p.m. on the same day on which such funds were advanced, such amounts shall bear interest, payable by the Issuer on demand and in any event on the date on which such funds are returned, at a rate equal to the Base Rate from the date disbursed until the date returned to the Bank (but in any event for not less than one day). The parties hereto acknowledge that such amount is not covered by the Bond Insurance Policy.
- (c) <u>No Liability of the Bank</u>. The Bank shall not have any responsibility for, or incur any liability in respect of, any act, or any failure to act, by the Trustee (i) to credit the appropriate account with funds made available by the Bank pursuant to this Section 2.02 or (ii) to effect the purchase for the account of the Bank of Series 2007A Bonds with funds provided pursuant to this Section 2.02.
- (d) <u>Payment with Own Funds</u>. All purchases of Tendered Series 2007A Bonds made by the Bank hereunder shall be made with the Bank's own funds.
- (e) <u>Use of Funds</u>. The Trustee shall receive and hold in trust in non-commingled funds, the Purchase Price advanced by the Bank on a Purchase Date until such amounts are made available to the Holders of Tendered Series 2007A Bonds. No monies held by the Trustee shall be considered monies of the Issuer, and the Issuer shall not have any right, title or interest in or to such moneys; no such moneys shall be invested; and no Tendered Series 2007A Bonds purchased by the Trustee shall be deemed to have been purchased by, for or on behalf of the Issuer.

## Section 2.03. Reduction or Termination of Commitment.

(a) Mandatory Reduction of Commitment. Upon (a) any redemption, prepayment or other payment pursuant to the Resolution of all or any portion of the principal amount of the Series 2007A Bonds (other than Purchased Series 2007A Bonds) such that such Series 2007A Bonds cease to be Outstanding or (b) any conversion of all or a portion of the Series 2007A Bonds to a Non-Covered Interest Rate, the Available Principal Commitment shall automatically be reduced by the principal amount of such Series 2007A Bonds so redeemed, paid, deemed paid or converted, as the case may be, and the Available Interest Commitment shall also be simultaneously reduced as provided in the definition thereof in Section 1.01 hereof. The Issuer shall cause notice to be provided to the Bank within one Business Day of such redemption, repayment or other payment or conversion of the Series 2007A Bonds. The Available Commitment shall automatically terminate when an Alternate Liquidity Facility has become effective pursuant to the Resolution, provided that this Agreement shall not terminate until the Bank has purchased any Series 2007A Bonds required to be purchased pursuant to any mandatory tender resulting from the provision of any Alternate Liquidity Facility.

(b) Optional Reduction of Commitment. At any time the Series 2007A Bonds are in a Weekly Interest Rate Period, the Trustee may reduce the outstanding amount of the Available Commitment by delivering to the Bank a Notice of Termination or Reduction in substantially the form of Exhibit E hereto; provided, that such Available Commitment shall be reduced to the stated amount set forth in such Notice of Termination or Reduction only if the statements set forth in paragraph (b) of such notice shall be true and correct and only if such Available Commitment, as so reduced, is greater than or equal to the amount required by Moody's or S&P, as applicable, to maintain a short-term rating on the Series 2007A Bonds; and provided further, that if the Available Commitment is being reduced to zero, such reduction shall be effective only after the Bank has purchased any outstanding Series 2007A Bonds required to be purchased on the Purchase Date with respect to such reduction.

# Section 2.04. Sale of Purchased Series 2007A Bonds.

- Right to Sell Purchased Series 2007A Bonds. The Bank expressly reserves the right to sell, at any time, any Purchased Series 2007A Bond or the beneficial interest therein subject, however, to the express terms of this Agreement. The Bank agrees that such sales (other than sales made pursuant to Section 2.04(b) hereof or to Assignees pursuant to Section 8.03 hereof) will be made only to institutional investors or other entities or individuals, which customarily purchase commercial paper or tax-exempt securities in large denominations. The Bank agrees to notify the Bond Insurer, the Trustee and the Remarketing Agent promptly in writing of any such sale (other than a sale made pursuant to Section 2.04(b) hereof) and to notify the transferee in writing that (i) so long as such Series 2007A Bond remains a Purchased Series 2007A Bond, the Bank is not obligated to purchase it hereunder and that such Purchased Series 2007A Bondholder has no right to tender such Purchased Series 2007A Bond for purchase pursuant to the Supplemental Resolution, (ii) there may not be a short-term investment rating assigned to such Series 2007A Bond so long as it remains a Purchased Series 2007A Bond and (iii) such Series 2007A Bond is subject to sale, and may cease to be a Purchased Series 2007A Bond, as provided in Section 2.04(b) hereof. The Bank shall provide the Trustee with the written agreement of each Purchased Series 2007A Bondholder purchasing a Purchased Series 2007A Bond or beneficial interest therein (A) acknowledging the terms of this Agreement relating to Purchased Series 2007A Bonds, (B) agreeing not to sell such Purchased Series 2007A Bond or beneficial interest except for sales to the Bank, sales to a purchaser identified by the Remarketing Agent pursuant to Section 2.04(b) hereof and sales to institutional investors or other entities which customarily purchase commercial paper or tax-exempt securities and who agree to be bound by the sale restrictions of this Section 2.04(a), (C) acknowledging that such Purchased Series 2007A Bondholder has no right to tender such Purchased Series 2007A Bond for purchase pursuant to the Resolution and (D) specifying appropriate notice and account information for purposes of all notices and payments to such Purchased Series 2007A Bondholder.
- (b) <u>Sales by Remarketing Agent</u>. The Bank and, by its acceptance of a Purchased Series 2007A Bond, each other Purchased Series 2007A Bondholder, subject to Section 2.04(c) hereof, hereby authorize the Remarketing Agent to sell Purchased Series 2007A Bonds on behalf of the Bank or such other Purchased Series 2007A Bondholder at a price equal to the principal amount thereof plus unpaid accrued interest thereon to the Sale Date at the interest rate to be borne by the Series 2007A Bonds after such sale or, if less, the Purchased Series 2007A Bond Rate (the "Sale Price"). If less than all Purchased Series 2007A Bonds are remarketed on any

date, the Purchased Series 2007A Bonds having the greatest aggregate amount of Excess Series 2007A Bond Interest payable with respect thereto shall be deemed to be remarketed first.

Prior to 11:30 a.m. on any Business Day on which a Purchased Series 2007A Bondholder holds Purchased Series 2007A Bonds, the Remarketing Agent may deliver a notice (a "Purchase Notice") to a Purchased Series 2007A Bondholder as registered on the Bond Register and to the Bank stating that the Remarketing Agent has located a purchaser for some or all of such Purchased Series 2007A Bonds and that such purchaser desires to purchase an authorized denomination of such Purchased Series 2007A Bonds at the Sale Price on the second Business Day following the date on which a Purchased Series 2007A Bondholder receives a Purchase Notice (a "Sale Date").

A Purchased Series 2007A Bondholder shall decide whether to sell any Purchased Series 2007A Bonds by giving written notice of such decision to the Trustee and the Remarketing Agent by 4:00 p.m. on the Business Day preceding the Sale Date. In the event such notice is not timely delivered by a Purchased Series 2007A Bondholder, such Purchased Series 2007A Bondholder shall be deemed to have determined to sell such Purchased Series 2007A Bonds. If a Purchased Series 2007A Bondholder determines or is deemed to have determined to sell such Purchased Series 2007A Bonds, such Purchased Series 2007A Bondholder shall deliver such Purchased Series 2007A Bonds to the Trustee (or, in the case of Purchased Series 2007A Bonds which are Book-Entry Series 2007A Bonds, shall cause the beneficial ownership thereof to be credited to the account of the applicable Remarketing Agent at DTC) by 10:00 a.m. on the Sale Date against receipt of the Sale Price therefor, plus the Differential Interest Amount, if any, in immediately available funds to the Bank at the account specified pursuant to Section 2.07(a) hereof or at the Purchased Series 2007A Bondholder's address listed in the Bond Register, as applicable, and such Series 2007A Bonds shall thereupon no longer be considered Purchased Series 2007A Bonds. Any sale of a Purchased Series 2007A Bond pursuant to this Section 2.04(b) shall be without recourse to the seller and without representation or warranty of any kind. When Purchased Series 2007A Bonds are purchased in accordance with this Section 2.04(b), the Trustee shall, upon receipt of authorization to transfer such Series 2007A Bonds and upon receipt by such Purchased Series 2007A Bondholder of the Sale Price and the Differential Interest Amount, if any, notify the Remarketing Agent, the Bond Insurer and the Issuer that such Series 2007A Bonds are no longer Purchased Series 2007A Bonds. The Trustee shall not instruct or authorize the bond registrar to transfer any such Purchased Series 2007A Bonds, or re-register the same, pursuant to the instructions of the Remarketing Agent until the Trustee has received from the Purchased Series 2007A Bondholder written confirmation of the receipt of such funds.

- (c) <u>Right to Retain Series 2007A Bonds.</u> If a Purchased Series 2007A Bondholder notifies the Trustee and the Remarketing Agent by 4:00 p.m. on the Business Day preceding the Sale Date that it will not sell such Purchased Series 2007A Bonds, such Series 2007A Bonds shall no longer be Purchased Series 2007A Bonds as of the Sale Date, and the Trustee shall on the Sale Date give notice to such effect to the Bank and such Purchased Series 2007A Bondholder. Such election may be revoked in writing by the Purchased Series 2007A Bondholder at any time prior to 4:00 p.m. on the Business Day preceding the Sale Date.
- (d) <u>Series 2007A Bonds Ceasing to be Purchased Series 2007A Bonds</u>. After any sale of Purchased Series 2007A Bonds by the Remarketing Agent pursuant to Section 2.04(b)

hereof, or any election to retain Series 2007A Bonds pursuant to Section 2.04(c) hereof, Purchased Series 2007A Bonds shall from such Sale Date or upon such election cease to bear interest at the Purchased Series 2007A Bond Rate and shall bear interest at the rate determined by the Remarketing Agent in accordance with the Resolution. Following any sale of Purchased Series 2007A Bonds pursuant to Section 2.04(b) hereof, Section 8.03 hereof or otherwise, or any election to retain Series 2007A Bonds pursuant to Section 2.04(c) hereof, the Bank and any other Purchased Series 2007A Bondholders shall retain the right to receive payment from the Issuer of any accrued Excess Series 2007A Bond Interest Amount and interest thereon as provided herein and any other amounts then due and owing under this Agreement.

# Section 2.05. Fees and Payments.

- (a) Commitment Fee. The Issuer hereby agrees to pay or cause to be paid to the Bank a commitment fee at the rate of [\_\_\_\_]% per annum on the average daily amount of the Available Commitment. Such commitment fee shall be payable quarterly in arrears on each Fee Payment Date, commencing January 2, 2008, with respect to the period or portion thereof ending on the last day of the preceding calendar month, and on the last day of the Purchase Period. Such commitment fee shall increase by 0.025% per annum for each ratings notch downgrade of any Underlying Bond Rating below the "A2/A" rating category through the "Baa1/BBB+" rating category, and shall increase by an additional 0.05% per annum for each ratings notch downgrade of any such Underlying Bond Rating below the "Baa1/BBB+" rating category, and shall increase by an additional 0.25% per annum if any such Underlying Bond Rating declines below the "Baa3/BBB-" rating category or is suspended or withdrawn; provided that, in the case of split ratings, the lowest Underlying Bond Rating shall apply. For purposes of this Section 2.05(a) only, the Available Commitment shall be deemed not to be reduced during any period the Bank's obligation to purchase Series 2007A Bonds has been suspended pursuant to Section 7.03(c) or 7.03(d) hereof.
- (b) <u>Expenses and Counsel</u>. The Issuer shall pay to the Bank on the Effective Date its expenses and fees (in an amount not to exceed \$41,000) in connection with the preparation, execution and delivery of this Agreement, the Series 2007A Bonds and the other Related Documents.
- (c) <u>Amendments</u>. The Issuer shall pay to the Bank a reasonable amendment fee for the Bank's consideration of any change in the terms of pledged security, collateral or covenants in the Related Documents or any change to this Agreement (other than extension of the Stated Expiration Date) and all reasonable costs or expenses (including, without limitation, reasonable attorney's fees and expenses) which the Bank may incur by reason of or in connection with said change.
- (d) <u>Payment of Interest Component</u>. The Issuer shall pay the Bank interest at the Purchased Series 2007A Bond Rate on the amount of the Interest Component, if any, included in the Purchase Price from the Purchase Date until, and the Interest Component (together with interest thereon) shall be due and payable on, the earliest of (i) the Interest Payment Date next succeeding the Purchase Date, (ii) the date on which such Purchased Series 2007A Bonds are remarketed, paid at maturity or redeemed or (iii) the last day of the Purchase Period. Alternatively, the Bank may, in its sole discretion, require the Issuer to pay the amount of such

Interest Component (together with interest thereon) to the Bank not later than the second Business Day next following the date on which written notice from the Bank of such requirement and the amount thereof is received by the Issuer. The Bank and any Purchased Series 2007A Bondholder, by acceptance of the Purchased Series 2007A Bonds, acknowledges that the obligation of the Issuer to pay interest on the Interest Component pursuant to this Section 2.05(d) or to pay the Interest Component on a date other than the scheduled Interest Payment Date is not insured under the terms of the Bond Insurance Policy.

- (e) <u>Purchase Demand Fee.</u> The Issuer agrees to pay or cause to be paid to the Bank a purchase demand fee in the amount of \$250 with respect to each demand for the Bank to purchase Series 2007A Bonds hereunder. Such fees shall be payable quarterly in arrears on each Fee Payment Date and shall include all unpaid purchase demand fees, if any, in respect of demands for the Bank to purchase Series 2007A Bonds that occurred prior to such Fee Payment Date.
- (f) <u>Transfer of Series 2007A Bonds Fee</u>. The Issuer agrees to pay to the Bank on each Purchase Date or Sale Date, as applicable, an amount equal to any charge imposed on the Bank pursuant to the Resolution in connection with the transfer or exchange of Series 2007A Bonds. The Issuer agrees to cause the bond registrar to give the Bank timely notice of each such charge, including the amount thereof.
- (g) Overdue Amounts. If the Issuer shall fail to pay when due any amount owing to the Bank under this Agreement, then to the extent permitted by law, the Issuer will pay to the Bank on demand interest on the amount in default from the date such payment became due until payment in full at the Default Rate.
- (h) <u>Termination Fee.</u> Upon any termination of this Agreement, the Issuer agrees to pay all accrued and unpaid fees through and including the date of termination. If the Issuer terminates or reduces the Available Commitment on or before the date occurring 12 months from the date of the initial execution and delivery of the Series 2007A Bonds, the Issuer shall pay to the Bank a fee equal to the commitment fee required pursuant to Section 2.05(a) hereof which would have been paid to the Bank for the first 12 months subsequent to the Effective Date, based on the Available Commitment as of the Effective Date, less the commitment fee previously paid to the Bank pursuant to Section 2.05(a) hereof; *provided, however*, that no such termination fee will become payable if the Issuer terminates this Agreement upon the occurrence of the condition set forth in Section 8.09(b)(iii) hereof.
- (i) <u>Administration</u>. The Issuer hereby agrees to pay all of the Bank's out-of-pocket expenses (including, without limitation, reasonable fees and disbursements of domestic and foreign counsel for the Bank and any local counsel retained by the Bank) arising in connection with the administration and enforcement of, preservation of rights in connection with a workout, restructuring or default under or amendment or waiver with respect to, this Agreement, the Series 2007A Bonds and the other Related Documents.
- (j) <u>Transfer of Agreement</u>. The Issuer hereby agrees to pay or cause to be paid to the Bank a transfer fee of \$1,000, payable upon each transfer of this Agreement to any successor Trustee.

## Section 2.06. Yield Protection.

- Reserves. If, after the Effective Date, any United States (or other Governmental Authority having jurisdiction over the Bank or any Participant or Assignee) federal, state or other law, rule, regulation or guideline, whether or not having the force of law, or the enforcement, interpretation or administration thereof by any court or any administrative or Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof shall at any time (i) impose, modify or deem applicable any reserve, special deposit or similar requirement (including, without limitation, pursuant to Regulation D of the Board of Governors of the Federal Reserve System) against credits or commitments to extend credit extended by, or assets (funded or contingent) of, deposits with or for the account of, or other acquisitions of funds or bonds by the Bank or any Participant or Assignee, or (ii) subject credits or commitments to extend credit extended by the Bank or any Participant or Assignee to any assessment or other cost imposed by the Federal Deposit Insurance Corporation or any successor thereto, or (iii) impose on the Bank or any Participant or Assignee any other or similar condition regarding this Agreement, the commitment or obligations of the Bank hereunder or the purchase or holding of Purchased Series 2007A Bonds, and the result of any event referred to in clause (i), (ii) or (iii) above shall be to increase the cost to the Bank or any Participant or Assignee of agreeing to issue, issuing or maintaining the Available Commitment or making, funding or maintaining (or agreeing to fund or maintain) purchases of Series 2007A Bonds hereunder or its holding Purchased Series 2007A Bonds by an amount which the Bank or any Participant or Assignee shall deem to be material (which increase in cost shall be the result of the reasonable allocation by the Bank or any Participant or Assignee of the aggregate of such cost increases resulting from such events), then, within 30 days after the Issuer's receipt of the Bank's written demand, the Issuer shall pay to the Bank (for itself or the account of such Participant or Assignee) from time to time as specified by the Bank, additional amounts which shall be sufficient to compensate the Bank or any Participant or Assignee for such increased cost from the date of such change, together with interest on each such amount from the date payment is due until the earlier of the date of payment in full thereof and the date on which such payment is due at the Base Rate, and thereafter at the Default Rate.
- If the Bank or any Participant or Assignee shall have Capital Charges. determined after the Effective Date that the applicability of any law, rule, regulation or guideline adopted or issued pursuant to or arising out of the July 1988 report of the Basle Committee on Banking Regulations and Supervisory Practices entitled "International Convergence of Capital Measurement and Capital Standards," or the adoption or issuance of any other law, rule, regulation or guideline (whether or not having the force of law) regarding capital adequacy, by any Governmental Authority (including, but not limited to any Governmental Authority having jurisdiction over the Bank or any Participant or Assignee), or any change in any applicable law, rule, regulation or guideline, as the case may be, or any change in the enforcement or interpretation or administration thereof by any court or any administrative or Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Bank (or any lending office thereof) or any Participant or Assignee with any request or directive regarding capital adequacy (whether or not having the force of law) of any such Governmental Authority, central bank or comparable agency has or would have the effect of reducing the rate of return on capital of the Bank or any such Participant or Assignee, if any, as a consequence of its obligations hereunder or its purchase or holding of Purchased

Series 2007A Bonds to a level below that which the Bank or such Participant or Assignee could have achieved but for such adoption, change or compliance (taking into consideration the policies of the Bank or such Participant or Assignee, with respect to capital adequacy) by an amount deemed by the Bank or such Participant or Assignee to be material, then within 30 days after the Issuer's receipt of the Bank's written demand, the Issuer shall pay to the Bank (for itself or for the account of such Participant or Assignee) such additional amount or amounts as will compensate the Bank or its Participant or Assignee, if any, as the case may be, for such reduction from the date of such adoption, change or compliance with respect to such law, rule, regulation, guideline, request or directive, together with interest on each such amount from the date payment is due until the earlier of the date of payment in full thereof and the date on which such payment is due at the Base Rate and thereafter at the Default Rate.

- (c) <u>Calculations</u>. The amounts owed by the Issuer as compensation to the Bank or any Participant or Assignee pursuant to this Section 2.06 shall be calculated as though the Bank were the holder of all Purchased Series 2007A Bonds other than Purchased Series 2007A Bonds held by an Assignee or a Participant, and without regard to any sales of Purchased Series 2007A Bonds by the Bank pursuant to Section 2.04(a) hereof other than to an Assignee or Participant; provided, however that no Participant shall be entitled to receive any greater payment under this Sections 2.06 than the Bank would have been entitled to receive with respect to the rights so participated unless such participation is made with the Issuer's prior written consent.
- (d) <u>Demand for Payment</u>. Each demand for compensation pursuant to Section 2.06(a) or 2.06(b) hereof shall be accompanied by a certificate of the Bank in reasonable detail setting forth the computation of such compensation (including the reason therefor), which certificate shall be conclusive, absent manifest error, as against all other Persons, including without limitation, the Issuer.
- (e) <u>Third Party Beneficiaries</u>. The benefits of this Section 2.06 shall be available to each Assignee and each Participant.

## Section 2.07. Payment Particulars.

- (a) <u>General</u>. Except to the extent otherwise provided in the Resolution with respect to payments on Purchased Series 2007A Bonds and in Section 2.02(b) hereof, all payments by or on behalf of the Issuer under this Agreement shall be made to the Bank prior to 3:00 p.m. on the date such payment is due by wire transfer in Dollars and in immediately available funds to Citibank N.A. (ABA #021000089) for the account of Dexia Credit Local, New York Branch (Acct. #36240356) Ref: [\_\_\_\_\_] The Regents of the University of Idaho Revenue Refunding Bonds, Series 2007A. Any payment received by the Bank after 3:00 p.m. shall be deemed to be received by the Bank on the next succeeding day. Any amount owed to the Bank hereunder which is not paid when due shall bear interest from the date such payment was due until paid in full at a rate equal to the Default Rate, such interest to be payable on demand. All computations of fees and interest hereunder shall be made on the basis of a year of 365 days, actual days elapsed.
- (b) <u>Payment Dates</u>. Except as may be otherwise provided herein, whenever any payment or action to be made or taken hereunder shall be stated to be due on a day which is not a

Business Day, such payment or action shall be made or taken on the next following Business Day, and such extension of time shall be included in computing interest or fees, if any, in connection with such payment or action.

- Net of Taxes. All payments by or on behalf of the Issuer under this Agreement (c) shall be made without counterclaim, set-off, condition or qualification, and free and clear of and without deduction or withholding for or by reason of any present or future taxes, levies, imposts, deductions or charges of any nature whatsoever, excluding, however, taxes imposed on or measured by the net income or capital of the Bank by any jurisdiction or any political subdivision or taxing authority thereof or therein (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being referred to as "Taxes"). If requested, the Bank, any Assignee and Participant shall from time to time provide the Issuer, the Trustee and the United States Internal Revenue Service (to the extent such information and forms may be lawfully provided by the Bank or such Assignee or Participant) with such information and forms as may be required by Treasury Regulations Section 1.1411 or any other such information and forms as may be necessary to establish that the Issuer is not subject to any withholding obligation under Section 1442 or other comparable provisions of the Code. If as a result of a Change of Law, the Issuer shall be required by law to withhold or deduct any Taxes imposed by the United States or any political subdivision thereof from or in respect of any sum payable hereunder to the Bank, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.07(c)) the Bank receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Issuer shall make such deductions and (iii) the Issuer shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. If the Issuer shall make any payment under this Section 2.07(c) to or for the benefit of the Bank with respect to Taxes and if the Bank shall claim any credit or deduction for such Taxes against any other taxes payable by the Bank to any taxing jurisdiction in the United States then the Bank shall pay to the Issuer an amount equal to the amount by which such other taxes are actually reduced; provided, however, that the aggregate amount payable by the Bank pursuant to this sentence shall not exceed the aggregate amount previously paid by the Bank with respect to such Taxes.
- (d) <u>Application of Payments</u>. Payments received by the Bank (other than payments made pursuant to the Bond Insurance Policy) shall be applied, first, to any fees, costs, charges or expenses payable by the Issuer under this Agreement; second, to past due interest; third, to current interest; and, fourth, to principal.

Section 2.08. <u>Limited Obligation</u>; <u>Security</u>. Notwithstanding anything to the contrary herein, the Purchased Series 2007A Bonds and the obligations of the Issuer under this Agreement are limited obligations payable solely from and secured solely by the following: (a) the Purchased Bonds are payable from and secured solely by a first lien, pledge and security interest in and to all Pledged Revenues on a parity basis with the payment of the principal of, premium, if any, and interest on all Bonds Outstanding under the Resolution (including the Series 2007A Bonds) and (b) the obligations of the Issuer under this Agreement are payable from and secured solely by a lien, pledge and security interest in and to all Pledged Revenues on a basis subordinate to the payment of the principal of, premium, if any, and interest on all Bonds Outstanding under the Resolution (including the Series 2007A Bonds). The Issuer shall not be

obligated to pay the Purchased Series 2007A Bonds and the obligations of the Issuer under this Agreement and no recourse shall be had for the payment of such amounts against the Issuer or any member thereof or against the property or funds of the Issuer, except to the extent of the Pledged Revenues. This Agreement is an obligation of the Issuer payable solely in accordance the term hereof and is not an obligation, general, special or otherwise of the State of Idaho, does not constitute a debt, legal, moral or otherwise of the State of Idaho, and is not enforceable against the State, nor shall payment hereof be enforceable out of any funds of the Issuer other than the Pledged Revenues.

### ARTICLE III

## THE PURCHASED BOND RATE

Section 3.01. <u>Series 2007A Bonds to Bear Interest at Purchased Series 2007A Bond</u> Rate; Other Interest Provisions.

- Purchased Series 2007A Bond Rate. As provided in the Series 2007A Bonds and the Resolution, any Series 2007A Bond purchased by the Bank pursuant to this Agreement shall thereupon become a Purchased Series 2007A Bond and shall bear interest, payable monthly in arrears, at the Purchased Series 2007A Bond Rate for the period commencing from the date that the Bank shall have purchased such Series 2007A Bond and, subject to Section 2.04(c) hereof, continuing until such Series 2007A Bond is paid in full or remarketed as provided in Section 2.04(b) hereof. Subject to Section 3.01(c) hereof, the Purchased Series 2007A Bond Rate for any Purchased Series 2007A Bond shall be (i) from and including the Purchase Date to and including the date 90 days following the Purchase Date, the Base Rate from time to time in effect, (ii) from and including the date which is 91 days following the Purchase Date to and including the date which is 180 days following the Purchase Date, the Base Rate from time to time in effect plus 1.00% per annum, and (iii) thereafter, the Base Rate from time to time in effect plus 2.00% per annum; provided, however, that immediately upon the occurrence and continuation of an Event of Termination or an Event of Default, the Purchased Series 2007A Bond Rate shall be equal to the Default Rate; and provided further that at no time shall the Purchased Series 2007A Bond Rate exceed the Capped Rate or be less than the applicable rate of interest on Eligible Series 2007A Bonds which are not Purchased Series 2007A Bonds.
- (b) Overdue Rate. If the principal amount of any Purchased Series 2007A Bond or, to the extent permitted by law, any interest payment required thereunder, is not paid when due (whether by acceleration, redemption or otherwise), such overdue principal or interest payment shall bear interest from the date such obligation was due until paid in full (after as well as before judgment) at a rate per annum equal to the Default Rate (but not to exceed the Maximum Recoverable Rate), such interest to be payable on demand.
- (c) Excess Series 2007A Bond Interest Amount. The rate set forth in Section 3.01(a) hereof, without giving effect to the reference therein to this Section 3.01(c) or to the last proviso therein limiting the Purchased Series 2007A Bonds Rate to the Capped Rate, is referred to in this Section 3.01(c) as the "Section 3.01(a) Rate." The amount of interest, if any, that would accrue on Purchased Series 2007A Bonds at the Section 3.01(a) Rate on any date but which does not so accrue due to the limitation of the Purchased Series 2007A Bond Rate to the Capped Rate, but

only up to the Maximum Recoverable Rate, shall constitute "Excess Series 2007A Bond Interest" (i.e., interest which would have been payable but for the Capped Rate, but only up to the Maximum Recoverable Rate). As of any date, the cumulative Excess Series 2007A Bond Interest, if any, on all days since the Effective Date hereof, reduced as set forth in the next sentence, shall constitute the "Excess Series 2007A Bond Interest Amount." If there is any Excess Series 2007A Bond Interest Amount on any date when the Section 3.01(a) Rate is less than the Capped Rate, the Purchased Series 2007A Bond Rate for such date shall be the Capped Rate rather than the Section 3.01(a) Rate and the Excess Series 2007A Bond Interest Amount shall be reduced on such date by the excess of the amount of interest accrued on such date at the Capped Rate over the amount of interest that would have accrued on such date at the Section 3.01(a) Rate; provided that if the accrual of interest on Purchased Series 2007A Bonds at the Capped Rate on any date would result in a reduction of the Excess Series 2007A Bond Interest Amount to a negative number, such Purchased Series 2007A Bonds shall accrue interest on such date at such lesser rate as shall result in the reduction of the Excess Series 2007A Bond Interest Amount on such date to zero. For so long as a Series 2007A Bond remains a Purchased Series 2007A Bond, interest thereon at the Purchased Series 2007A Bond Rate as adjusted pursuant to this Section 3.01(c) shall be insured by the Bond Insurance Policy. If on the date of maturity, redemption or remarketing of any Purchased Series 2007A Bonds, or on the date any Purchased Series 2007A Bonds cease to constitute Purchased Series 2007A Bonds pursuant to Section 2.04(c) hereof, there remains any unpaid Excess Series 2007A Bond Interest Amount with respect to such Purchased Series 2007A Bonds (the "Final Excess Series 2007A Bond Interest Amount"), to the extent permitted by law, such Final Excess Series 2007A Bond Interest Amount shall be paid by the Issuer to the Purchased Series 2007A Bondholder on such date as a fee. Each Purchased Series 2007A Bondholder, by acceptance of the Purchased Series 2007A Bonds, acknowledges that payment of any Final Excess Series 2007A Bond Interest Amount and any interest thereon is not insured under the terms of the Bond Insurance Policy and is subordinate to the Issuer's obligation to pay principal and interest then due and owing on the Series 2007A Bonds and other parity obligations.

Section 3.02. <u>Purchased Series 2007A Bonds Interest Payment Dates; Notification of Rate</u>.

(a) Purchased Series 2007A Bonds Interest Payment Dates. Notwithstanding anything to the contrary contained in the Series 2007A Bonds or the Resolution, the Issuer agrees that, with respect to each Purchased Series 2007A Bond, (i) the Interest Component, if any, included in the Purchase Price for such Series 2007A Bond shall be paid as set forth in Section 2.05(d) hereof; (ii) except with respect to the Differential Interest Amount, which shall be paid as set forth in Section 2.04(b) hereof, and Excess Series 2007A Bond Interest, the Excess Series 2007A Bond Interest Amount, which shall be payable in accordance with Section 3.01(c) hereof, interest payable pursuant to Section 3.01(a) hereof shall be payable on each Interest Payment Date, upon repurchase in accordance with Section 3.03(a) hereof, upon prepayment or redemption (to the extent of the interest accrued on the amount being prepaid or redeemed), at maturity (whether by acceleration or otherwise), and after maturity on demand. In the event any Purchased Series 2007A Bond is remarketed before payment in full of the funds provided by the Bank hereunder with respect thereto, together with interest thereon, the provisions of this Article III shall continue to apply to

such indebtedness until all sums owing for all periods during which the same was a Purchased Series 2007A Bond are paid.

Notification of Rate. The Bank will give telephone notice (promptly confirmed in writing) to the Issuer and the Trustee not later than 10:00 a.m. on each Sale Date of the Differential Interest Amount owed by the Issuer hereunder as a result of any sale of Purchased Series 2007A Bonds pursuant to Section 2.04(b) hereof. Notwithstanding the preceding sentence, the Issuer's obligations to make payments in respect of any Differential Interest Amount (together with accrued interest thereon, if applicable) shall not be discharged or reduced in any way as a result of the Bank's failure to deliver any notice referred to in the preceding sentence. The Bank will, upon the request of the Issuer or the Trustee, notify the Issuer or the Trustee, as the case may be, of the Purchased Series 2007A Bond Rate in effect during any period in which Purchased Series 2007A Bonds are held by the Bank or any other Purchased Series 2007A Bondholders or during which any Differential Interest Amount, Excess Series 2007A Bond Interest, Excess Series 2007A Bond Interest Amount, Final Excess Series 2007A Bond Interest Amount or any amount in respect of the Interest Component remains unpaid. Absent manifest error, the Bank's determination of any of the foregoing shall be binding upon the Issuer and the Trustee.

## Section 3.03. Purchased Series 2007A Bonds.

- (a) Repurchase of Purchased Series 2007A Bonds. The Purchased Series 2007A Bonds shall be repurchased from the Bank on the date of successful remarketing of the Purchased Series 2007A Bonds in amounts equal to the principal amount of the Purchased Series 2007A Bonds so remarketed. The Purchased Series 2007A Bonds shall be repurchased in full from the Bank on the date all of the Series 2007A Bonds have been converted to a Non-Covered Interest Rate and on the date an Alternate Liquidity Facility has been provided and become effective under the Resolution. Subject to the special redemption of Purchased Series 2007A Bonds pursuant to Section 3.04 below, the Purchased Series 2007A Bonds shall be repurchased from the Bank on the date (the "Term-Out Commencement Date") which is the earliest of (i) the last day of the Purchase Period; or (ii) the 180th day after the Purchase Date.
- (b) <u>Redemption of Purchased Series 2007A Bonds First</u>. Amounts applied for the redemption of Series 2007A Bonds (whether optional, pursuant to sinking fund requirements or otherwise) shall be used first to redeem Purchased Series 2007A Bonds.
- (c) <u>Other Payment of Purchased Series 2007A Bonds</u>. The Purchased Series 2007A Bonds shall also be subject to the scheduled amortization, defeasance, redemption or other payment of the Series 2007A Bonds pursuant to the Resolution.

Section 3.04. Special Redemption of Purchased Series 2007A Bonds; Prepayment. If on the Term-Out Commencement Date there shall exist no Event of Termination or Event of Default, and all representations and warranties made by the Issuer in this Agreement or in any of the Related Documents to which it is a party shall be true and correct with the same effect as though such representations and warranties had been made at and as of such time, the Purchased Series 2007A Bonds shall be subject to special mandatory redemption over a seven-year period with principal payable in 14 equal semi-annual installments and interest at the Purchased

Series 2007A Bonds Rate or the Default Rate, as applicable, payable monthly in arrears, the first such installment to be due on the six-month anniversary of the day on which such Purchased Series 2007A Bonds first became Purchased Series 2007A Bonds. All accrued and unpaid interest and principal of Purchased Series 2007A Bonds shall be due and paid no later than the seventh anniversary of the commencement of the special redemption period. The installments of principal and interest required pursuant to this Section 3.04 are to be covered under and insured by the Bond Insurance Policy. The Issuer may prepay the Purchased Series 2007A Bonds in whole or in part at any time, in denominations of \$500,000 or any \$100,000 multiple in excess thereof, without premium or penalty.

Section 3.05. <u>Limitations of Bond Insurance Policy</u>. The Bank hereby agrees that the Excess Series 2007A Bond Interest Amount, the Final Excess Series 2007A Bond Interest Amount and interest thereon and interest on the Interest Component are not entitled to the benefits of the Bond Insurance Policy and that payment of Excess Series 2007A Bond Interest Amount, the Final Excess Series 2007A Bond Interest Amount and interest thereon is subordinate to the Issuer's obligation to pay principal and interest then due and owing on the Series 2007A Bonds and other parity obligations.

### ARTICLE IV

#### REPRESENTATIONS AND WARRANTIES

Section 4.01. <u>Representations of the Issuer</u>. To induce the Bank and the Trustee to enter into this Agreement and for the Bank to purchase Series 2007A Bonds as provided herein, the Issuer makes the following representations and warranties to, and agreements with the Bank and the Trustee (which representations, warranties and agreements shall survive the execution and delivery of this Agreement and any purchases of Series 2007A Bonds by the Bank):

- (a) Existence and Standing. The Issuer is a state institution of higher education and body politic and corporate duly organized and validly existing under and pursuant to the Constitution and laws of the State of Idaho with all requisite power and authority to conduct its business as currently conducted, to own its assets and to execute and deliver, and to perform its obligations under, this Agreement, the Resolution, and the other Related Documents to which it is a party and to issue, execute and deliver the Series 2007A Bonds.
- (b) <u>Authorization, Validity and Binding Obligations</u>. The execution, delivery and performance by the Issuer of this Agreement, the Resolution, and the other Related Documents and the issuance, execution and delivery of the Series 2007A Bonds have been duly authorized by all necessary action of the governing body of the Issuer, including all required material and requisite approvals of the State of Idaho and of federal, regional and local governmental bodies required to be obtained prior to the date of delivery of the Series 2007A Bonds, the Related Documents and this Agreement. Each of this Agreement, the Resolution, and the other Related Documents (other than the Series 2007A Bonds) to which the Issuer is a party constitutes a legal, valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms, except as such enforceability may be limited by applicable reorganization, insolvency,

liquidation, readjustment of debt, moratorium or other similar laws affecting the enforcement of the rights of creditors generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). The Series 2007A Bonds, when issued and delivered against payment therefor as contemplated by the Bond Purchase Agreement, will have been duly issued, executed and delivered in conformity with the Resolution and will constitute legal, valid and binding obligations of the Issuer, enforceable in accordance with their terms, except as such enforceability may be limited by applicable reorganization, insolvency, liquidation, readjustment of debt, moratorium or other similar laws affecting the enforcement of the rights of creditors generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law), and entitled to the benefit and security of the Resolution.

- by the Issuer of this Agreement and the Related Documents to which the Issuer is a party, nor the consummation of the transactions herein and therein contemplated, nor compliance with the provisions hereof or thereof will violate any constitutional provision or any law, rule, regulation, order, writ, judgment, injunction, decree or award of any court or Governmental Authority, arbitration, agency or other instrumentality applicable to the Issuer binding on the Issuer, the Issuer's charter, bylaws or other organizational documents or the provisions of any indenture, instrument or agreement to which the Issuer is a party or is subject, or by which it or its property is bound, or conflict with or constitute a default under or result in the creation or imposition of any security interest, lien, charge or encumbrance (other than the lien of the Resolution) on any of its assets pursuant to the provisions of any of the foregoing.
- (d) <u>Litigation</u>. There is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending or, to the knowledge of the Issuer, threatened against or affecting the Issuer wherein an unfavorable decision, ruling or finding would materially adversely affect (i) the transactions contemplated by or the validity of this Agreement, any of the Related Documents or any indenture, instrument or agreement to which the Issuer is a party, (ii) the status of the Issuer as a state institution of higher education and body politic and corporate organized and existing under and pursuant to the Constitution and laws of the State of Idaho, (iii) the status of the exemption of interest on the Series 2007A Bonds from federal income tax or (iv) the Issuer's property, assets, operations or conditions, financial or otherwise, or its ability to perform its obligations under this Agreement or under the Related Documents.
- (e) <u>No Defaults</u>. No Event of Default, Event of Termination or Potential Event of Termination has occurred and is continuing.
- (f) <u>Financial Statements</u>. The audited financial statements for the period ended June 30, 2006, including the balance sheet as of such date of said period, all examined and reported on by Deloitte & Touche LLP, the Issuer's independent public accountants, as heretofore delivered to the Bank, correctly and fairly present the financial condition of the Issuer as of said date and the results of the operations of the Issuer for

such period, and have been prepared in accordance with Generally Accepted Accounting Principles consistently applied except as stated in the notes thereto; and there has been no material adverse change in the condition, financial or otherwise, of the Issuer since June 30, 2006, from that set forth in said financial statements as of, and for the period ended on, that date.

- (g) <u>Series 2007A Bonds; Parity of Obligations</u>. The Series 2007A Bonds (including all Purchased Series 2007A Bonds) will be duly issued under the Resolution and entitled to the benefits thereof. Except as provided in Section 3.05 hereof, the Issuer's obligations under this Agreement are secured by, and are on parity with the Issuer's obligations under, the Related Documents.
- (h) Official Statement. The information contained in the Official Statement, other than the information concerning the Bank contained in Appendix G-2 thereto, as to which the Issuer makes no representation or warranty, is correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.
- (i) <u>Consents</u>. All consents, licenses, approvals, validations and authorizations of, and registrations, validations or declarations by or with any court or any Governmental Authority required to be obtained in connection with the execution, delivery, performance, validity or enforceability of this Agreement and the Related Documents (including the Series 2007A Bonds) have been obtained and are in full force and effect.
- (j) <u>Incorporation of Representations and Warranties</u>. The Issuer hereby makes to the Bank the same representations and warranties as were made by it in each Related Document to which it is a party, which representations and warranties, together with the related definitions of terms contained therein, are hereby incorporated by reference with the same effect as if each and every such representation and warranty and definition were set forth herein in its entirety. No amendment to such representations and warranties or definitions made pursuant to the relevant Related Documents, which amendment could have a material adverse effect on the Bank, shall be effective to amend such representations and warranties and definitions as incorporated by reference herein without the prior written consent of the Bank.
- (k) Accurate Information. No representation, warranty or other statement made by the Issuer in or pursuant to this Agreement or any Related Document or any other document or financial statement provided by the Issuer or its agents to the Bank in connection with this Agreement or any other Related Document, contains any untrue statement of a material fact or omits (as of the date made or furnished) any material fact necessary to make the statements herein or therein not misleading in light of the circumstances under which they are made. All information, reports and other papers and data with respect to the Issuer furnished to the Bank by the Issuer or its agents were, at the time the same were so furnished, accurate in all material respects. Any financial, budget and other projections furnished to the Bank by the Issuer or its agents were

prepared in good faith on the basis of the assumptions stated therein, which assumptions were fair and reasonable in light of conditions existing at the time of delivery of such financial, budget or other projections, and represented, and as of the date of this representation, represent, the Issuer's best estimate of its future financial performance. No fact is known to the Issuer that materially and adversely affects, or in the future may (so far as it can reasonably foresee) materially and adversely affect, the security for any of the Series 2007A Bonds or the Issuer's ability to repay when due its obligations under this Agreement, any of the Series 2007A Bonds and the Related Documents.

- (l) <u>Business of the Issuer</u>. The Issuer is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any margin stock as defined in Regulation U of the Board of Governors of the Federal Reserve System.
- (m) <u>Assignment of Series 2007A Bonds</u>. The Bank will hold the sole legal and beneficial interest in and to all Purchased Series 2007A Bonds purchased pursuant to Article II hereof, subject to no lien, security interest or claim of any Person claiming by or through the Issuer other than the Bank, except for consensual liens or other security interests as may be created by the Bank.
- (n) <u>Series 2007A Bond</u>. Each Series 2007A Bond (including all Purchased Series 2007A Bonds) has been or will be duly and validly issued under the Resolution and entitled to the benefits thereof.
- (o) <u>Purchased Series 2007A Bonds</u>. The Purchased Series 2007A Bonds will be transferred to or held for the benefit of the Purchased Series 2007A Bondholder, free and clear of all liens, security interests or claims of any Person other than the Purchased Series 2007A Bondholder, except for consensual liens or other security interests as may be created by the Bank.
- Pledged Revenues. The Resolution creates, for the benefit of the (p) Purchased Series 2007A Bonds, a legally valid and binding first lien, pledge and security interest in the Pledged Revenues on a parity basis with the payment of the principal of, premium, if any, and interest on all Bonds Outstanding under the Resolution (including the Series 2007A Bonds) and, for the benefit of the obligations of the Issuer under this Agreement, a legally valid and binding lien, pledge and security interest in the Pledged Revenues on a basis subordinate to the payment of the principal of, premium, if any, and interest on all Bonds Outstanding under the Resolution (including the Series 2007A Bonds). No filing, registering, recording or publication of the Resolution or any other instrument is required to establish the pledges under the Resolution or to perfect, protect or maintain the liens created thereby on the Pledged Revenues. There are no obligations of the Issuer that are entitled to a prior benefit of the Pledged Revenues relative to the benefit of the Pledged Revenues conferred by the Resolution upon the Purchased Series 2007A Bonds and the obligations of the Issuer under this Agreement.

## ARTICLE V

## CONDITIONS PRECEDENT

- Section 5.01. <u>Conditions Precedent to Effectiveness</u>. This Agreement shall become effective on the Effective Date provided that each of the conditions enumerated in this Section 5.01 has been fulfilled to the satisfaction of the Bank. The Bank's execution and delivery of this Agreement shall evidence its agreement that such conditions have been met to its satisfaction or have been waived and that the Effective Date has occurred.
  - (a) <u>Representations</u>. On the Effective Date (and after giving effect to the issuance of the Series 2007A Bonds and the effectiveness of this Agreement), (i) there shall exist no Event of Termination or Event of Default, and (ii) all representations and warranties made by the Issuer in this Agreement or in any of the Related Documents to which it is a party shall be true and correct with the same effect as though such representations and warranties had been made at and as of such time.
  - (b) <u>Supporting Documents</u>. On or prior to the Effective Date, the Bank shall have received, in form and substance satisfactory to the Bank, the following:
    - (i) true and complete executed originals of this Agreement, the Resolution, the Remarketing Agreement and the Official Statement and photocopies of the Bond Insurance Policy and the Series 2007A Bonds;
    - (ii) resolutions of the Issuer authorizing this Agreement and the Related Documents to which it is a party and the execution of the Official Statement, certified prior to the Effective Date by an authorized officer of the Issuer;
    - (iii) signature and incumbency certificates, dated the Effective Date, of the signatories of the Issuer executing this Agreement, the Related Documents to which it is a party, and the Official Statement;
    - (iv) a certificate of an authorized officer of the Issuer, dated the Effective Date, to the effect set forth in Section 5.01(a) hereof;
    - (v) executed copies of the legal opinions, certificates, reports and other documents rendered or delivered in connection with the issuance of the Series 2007A Bonds, the Official Statement, the sale of the Series 2007A Bonds pursuant to the Bond Purchase Agreement, the delivery of this Agreement and the delivery of the Related Documents; and
    - (vi) executed legal opinions, dated the Effective Date, addressed to the Bank and in form and substance satisfactory to the Bank (A) of counsel to the Bond Insurer, as to (1) the due organization of the Bond Insurer and the due authorization, execution and delivery of the Bond Insurance Policy and (2) the legality, validity, binding effect and enforceability of the Bond Insurance Policy; (B) of counsel to the Issuer, to the effect set forth in Section 4.01(a) through (d)

hereof inclusive, and covering such other matters as the Bank may reasonably request; (C) of Bond Counsel, covering such matters relating to the Purchased Series 2007A Bonds and the Issuer's obligations under the Related Documents as the Bank may reasonably request; and (D) of counsel to the Trustee, covering such matters as the Bank may reasonably request.

- (c) <u>Bond Insurance Policy</u>. On or prior to the Effective Date, the Bond Insurance Policy, in form and substance satisfactory to the Bank, shall have been issued by the Bond Insurer and delivered to the Trustee, insuring the payment of regularly scheduled principal of and interest on the Series 2007A Bonds and the special redemption of Purchased Series 2007A Bonds pursuant to Section [4.2(\_\_)] of the Supplemental Resolution, and such Bond Insurance Policy shall be in full force and effect on the Effective Date.
- (d) Other Supporting Documents. There shall have been delivered to the Bank such information and copies of documents, approvals (if any) and records (certified, where appropriate) of corporate and legal proceedings as the Bank may have requested relating to the entering into and performance by each of the parties (other than the Bank) thereto, of each of the Related Documents or the transactions contemplated thereby or the tax-exempt status of the Series 2007A Bonds. The Bank shall have received such other documents, instruments, approvals (and, if requested by the Bank, certified duplicates or executed copies thereof) or opinions as the Bank may reasonably request.
- (e) <u>Certain Payments</u>. The Issuer shall have paid all the fees then due referred to in Section 2.05(a) hereof and the fees and expenses of local, if applicable, domestic and foreign counsel to the Bank as provided in Section 2.05(b) hereof.
- (f) <u>Rating</u>. The Bank shall have received satisfactory evidence that the Series 2007A Bonds shall have been rated "Aaa" by Moody's and "AAA" by S&P and satisfactory evidence of an Underlying Bond Rating of at least "A1" by Moody's and "A+" by S&P.
- Section 5.02. <u>Conditions Precedent to Purchase</u>. The obligation of the Bank to purchase Series 2007A Bonds on any date is subject to the satisfaction of the following conditions, unless waived in writing by the Bank:
  - (a) No Termination Event. No Event of Termination specified in Section 7.01(a), (b), (c) or (d) hereof or Potential Event of Termination shall have occurred and be continuing or, with respect to a suspension in accordance with Section 7.03(c) hereof, the Available Commitment shall have been reinstated upon a finding or ruling by a court with jurisdiction, that the Bond Insurance Policy is valid and binding on the Bond Insurer; and
  - (b) <u>Notice of Purchase</u>. The Bank shall have timely received by no later than 11:00 a.m. on the Business Day on which Series 2007A Bonds are to be purchased, a Notice of Purchase as provided in Section 2.02 hereof; provided that if a Notice of Purchase is received after 11:00 a.m. on a Business Day, the Bank will be obligated to

purchase Eligible Series 2007A Bonds on the Business Day following receipt thereof, and provided further that if a Notice of Purchase is received before the end of the Purchase Period, the end of the Purchase Period shall not, in and of itself, relieve the Bank of its obligation to purchase Series 2007A Bonds.

### ARTICLE VI

#### **COVENANTS**

Section 6.01. <u>Covenants of the Issuer</u>. During the term of this Agreement, and until the obligations of the Issuer to the Bank under this Agreement are paid in full and the Bank has no further commitment under this Agreement and until payment in full of all Purchased Series 2007A Bonds, unless the Bank shall otherwise consent in writing, the Issuer covenants and agrees as follows:

- (a) <u>Notices</u>. The Issuer will promptly furnish, or require to be furnished by including appropriate provisions in the Resolution, to the Bank notice of (i) the failure by the Bond Insurer to perform any of its obligations under the Bond Insurance Policy, (ii) each demand for payment made under the Bond Insurance Policy, (iii) the failure by the Remarketing Agent or the Trustee to perform any of its obligations under the Remarketing Agreement or the Resolution, (iv) any proposed substitution of this Agreement or of the Bond Insurance Policy, (v) each event or occurrence of which notice is required to be given to the Bank pursuant to the Resolution, (vi) the occurrence of any Event of Termination or Event of Default; (vii) any change in the ratings of the Series 2007A Bonds of which the Issuer has actual knowledge; (viii) any ratings which may be assigned to uninsured debt of the Issuer which ranks on a parity with the Series 2007A Bonds (or any changes in such ratings); and (ix) any Underlying Bond Rating (or changes therein) of which the Issuer has knowledge.
- (b) <u>Compliance With Laws</u>. The Issuer shall comply with all laws, rules and regulations, and with all final orders, writs, judgments, injunctions, decrees or awards to which it may be subject; *provided, however*, that the Issuer may contest the validity or application thereof and appeal or otherwise seek relief therefrom, and exercise any and all of the rights and remedies which it may have with regard thereto, so long as such acts do not affect the Issuer's power and authority to execute this Agreement and the Related Documents to which it is a party or to perform its obligations and pay all amounts payable by it hereunder and thereunder.
- (c) <u>Use of Proceeds</u>. The Issuer shall (i) use its best efforts to cause the proceeds from purchases of Series 2007A Bonds made hereunder to be used solely to pay the Purchase Price of such Series 2007A Bonds as more fully described in Sections 2.01 and 2.02 hereof and (ii) use the proceeds of the Series 2007A Bonds solely for the purposes set forth in the Resolution.
- (d) <u>Related Obligations</u>. The Issuer shall promptly pay all amounts payable by it under this Agreement and the Related Documents according to the terms hereof and thereof and shall duly perform each of its obligations under this Agreement and the

Related Documents to which it is a party. The Issuer shall take such action as may be necessary to enforce the obligations of other Persons owed to the Issuer and the Trustee pursuant to the Related Documents.

- (e) <u>Reporting Requirements</u>. The Issuer shall keep proper books of record and account in which full, true and correct entries will be made of all dealings and transactions of or in relation to affairs, operations, transactions and activities of the Issuer in accordance with Generally Accepted Accounting Principles consistently applied, and will furnish to the Bank a copy of each of the following:
  - (i) As soon as available, and in any event within 180 days after the close of each fiscal year of the Issuer, audited financial statements including the balance sheet as of the end of such fiscal year, setting forth in each case in comparative form the corresponding figures for the preceding fiscal year, all in reasonable detail, certified by an independent certified public accountant as having been prepared in accordance with Generally Accepted Accounting Principles, consistently applied, such audit having been conducted with generally accepted auditing standards;
  - (ii) Promptly, and in any event within five days after any financial officer of the Issuer obtains knowledge thereof, a certificate of the chief financial officer for the Issuer setting forth the occurrence of any Event of Default or Event of Termination, the details thereof and the action which the Issuer is taking or proposes to take with respect thereto;
  - (iii) Copies of the financial statements of and other information pertaining to the Issuer required to be delivered to the Bond Insurer, no later than the date on which such deliveries are required to be made to the Bond Insurer;
  - (iv) Promptly, and in any event within five days after any officer of the Issuer obtains knowledge thereof, a written description of any pending or threatened litigation, the existence of which causes the representation set forth in Section 4.01(d) hereof to be untrue or inaccurate in any material respect;
  - (v) As soon as available, and in any event within 30 days of the beginning of each fiscal year of the Issuer, a copy of the annual operating budget of the Issuer;
  - (vi) Within ten (10) days after the sale of any securities by the Issuer secured (directly or indirectly) by a pledge of or lien on the Pledged Revenues with respect to which any disclosure document was prepared, a copy of such disclosure document;
  - (vii) Copies of any "material events notices" as set forth in the United States Securities and Exchange Commission Rule 15c2-12(b)(5)(I)(C) the Issuer files with any nationally recognized municipal securities repository with respect to any event occurring which relates to the Issuer (as opposed to a credit enhancer of the Issuer's obligation) and to any of its securities secured (directly or

indirectly) by a pledge of or lien on the Pledged Revenues pursuant to any continuing disclosure certificate or agreement;

- (viii) As soon as possible after the Issuer acquires knowledge of the occurrence of (i) the certification of any initiative or referendum for placement on the ballot which could lead to the diminution or reallocation of any Pledged Revenues or any portion thereof or (ii) any other event which, in the reasonable judgment of such officer, is likely to have a material adverse effect on the ability of the Issuer to perform its obligations under this Agreement or under any Related Document to which it is a party, written notice thereof; and
- (ix) Such other information respecting the affairs, condition and/or operations, financial or otherwise, of the Issuer or the Pledged Revenues as the Bank may from time to time reasonably request.
- (f) <u>Inspection Rights</u>. The Issuer will permit the Bank, upon reasonable notice and during normal business hours, to meet with officers, directors and employees of the Issuer to discuss the affairs, finances, business and accounts of the Issuer and to visit the Issuer's properties in order to enable the Bank to monitor the Issuer's compliance with the Agreement. The Trustee will permit the Bank, upon reasonable notice and during normal business hours, to inspect its books and records relating to the Series 2007A Bonds.
- (g) Amendments. The Issuer and the Trustee shall not amend, modify, terminate, substitute or permit the amendment, modification, termination or substitution of, or consent to, or permit or suffer to occur any action or omission which results in, or is equivalent to, an amendment, termination or modification of the Related Documents (other than the Bond Insurance Policy), other than an amendment to the Resolution permitted under Section 10.1 of the Resolution (including, without limitation, an amendment permitted under Section 10.1 to provide for the issuance of a Series of Bonds subject to and in accordance with the provisions of Article VII of the Resolution).
- (h) <u>Voluntary Redemption or Conversion</u>. The Issuer shall not voluntarily redeem any Series 2007A Bonds pursuant to the Resolution prior to redeeming Purchased Series 2007A Bonds in full or if, after giving effect to such redemption, there would be any unpaid Excess Series 2007A Bond Interest Amount owing under this Agreement or any other amount in respect of such Purchased Series 2007A Bonds which shall not have been paid in full. The Issuer shall not voluntarily convert any Series 2007A Bonds to a Non-Covered Interest Rate pursuant to the Resolution if, after giving effect to such conversion, there would be any unpaid Excess Series 2007A Bond Interest Amount owing under this Agreement or any other amount in respect of such Purchased Series 2007A Bonds which shall not have been paid in full.
  - (i) Alternate Liquidity Facility or Conversion to a Non-Covered Interest Rate.
  - (i) The Issuer agrees to use its best efforts to obtain an Alternate Liquidity Facility to replace this Agreement or to convert all of the Series 2007A

Bonds to a Non-Covered Interest Rate in the event (A) the Bank shall determine not to extend the Stated Expiration Date (such replacement or conversion to occur on or before the mandatory purchase date established pursuant to the Resolution), (B) the Bank shall give a Notice of Termination in accordance with Section 7.03(b) hereof (such replacement or conversion to occur on or before the mandatory purchase date established pursuant to the Resolution), (C) a mandatory purchase of Series 2007A Bonds shall have been effected with any funds made available under this Agreement, or (D) the Issuer terminates this Agreement pursuant to Section 8.09(b) hereof.

- (ii) The Issuer agrees that, as a condition to the effectiveness of any Alternate Liquidity Facility, the provider of the Alternate Liquidity Facility will provide funds, to the extent necessary, in addition to other funds available, on the date the Alternate Liquidity Facility becomes effective for the purchase of all Purchased Series 2007A Bonds at a purchase price of par plus accrued interest (at the Purchased Series 2007A Bond Rate) through the purchase date, and that, as a condition to the effectiveness of the conversion to a Non-Covered Interest Rate, all Purchased Series 2007A Bonds will be purchased on the conversion date at a purchase price of par plus accrued interest (at the Purchased Series 2007A Bond Rate) through the purchase date. On the effective date of such Alternate Liquidity Facility or conversion to a Non-Covered Interest Rate, as the case may be, the Issuer shall pay in full all other amounts due under this Agreement (including the Excess Series 2007A Bond Interest Amount and unpaid interest thereon).
- (iii) The Issuer shall not permit an Alternate Liquidity Facility to become effective with respect to less than all of the Series 2007A Bonds without the prior written consent of the Bank.

# (j) Appointment of Successors.

- (i) The Issuer shall not, without the prior written consent of the Bank, permit the appointment of a successor Trustee or Remarketing Agent. Any successor Trustee shall have capital of not less than \$50,000,000.
- (ii) The Issuer shall not, without the prior written consent of the Bank, (A) permit the surrender, cancellation, termination, modification or amendment of the Bond Insurance Policy or (B) permit a substitute or additional bond insurance policy to become effective.
- (k) <u>Incorporation of Covenants</u>. The covenants of the Issuer set forth in each of the Related Documents to which the Issuer is a party are hereby incorporated by reference in this Agreement for the benefit of the Bank and other Purchased Series 2007A Bondholders. To the extent that any such incorporated provision permits any Person to waive compliance with or consent to such provision or requires that a document, opinion, report or other instrument or any event or condition be acceptable or satisfactory to any Person, for purposes of this Agreement, such compliance shall be waived, or such provision shall be consented to, only if it is waived or consented to, as the case may be,

by the Bank and such document, opinion, report or other instrument shall be acceptable or satisfactory to the Bank. No amendment to such covenants (or the defined terms relating thereto) made pursuant to the Related Documents shall be effective to amend such incorporated covenants without the written consent of the Bank.

- (l) <u>Maintenance of Existence</u>. The Issuer will maintain its corporate existence. The Issuer will not merge or consolidate with another entity or transfer substantially all of its assets to another entity in a way that adversely affects the Issuer's obligations under this Agreement or the Related Documents.
- (m) <u>Maintenance and Approvals; Filings, Etc.</u> The Issuer shall at all times maintain in effect, renew and comply with all the terms and conditions of all consents, licenses, approvals and authorizations as may be necessary or appropriate under any applicable law or regulation for its execution, delivery and performance of this Agreement and the Related Documents to which it is a party.
- (n) Regulation U. The Issuer is not engaged principally, or as one of its important activities, in the business of extending credit for the purposes of purchasing or carrying margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System), and will not use the proceeds of the Series 2007A Bonds or any amounts paid by the Bank hereunder so as to violate Regulation U as it may be amended or interpreted from time to time by the Board of Governors of the Federal Reserve System.
- (o) <u>Resolution a Contract</u>. The provisions of the Resolution constitute a contract between the Issuer and the owner or owners of the Series 2007A Bonds, the Bond Insurer and the Bank, and any such owner or owners, the Bond Insurer or the Bank may at law or in equity, by suit, action, mandamus or other proceedings, enforce and compel the performance of all duties required to be performed by the Issuer as a result of issuing the Series 2007A Bonds.
- (p) <u>Audit</u>. Not later than six months after the close of each Fiscal Year, the Issuer shall cause an audit of its general fund books and accounts to be made by an independent firm of certified public accountants showing the receipts and disbursements made by the Issuer during the previous Fiscal Year.
- (q) <u>Subsequent Documents and Instruments</u>. The Issuer shall execute and deliver to the Bank (or as directed by the Bank) all such documents and instruments as may be necessary or reasonably required by the Bank to enable the Bank or the holders of the Series 2007A Bonds to exercise and enforce their rights under this Agreement or with respect to the Series 2007A Bonds and to realize thereon, and the Issuer shall record and file and re-record and re-file all such documents and instruments, at such time or times, in such manner and at such place or places, all as may be necessary or reasonably required by the Bank to validate, preserve and protect the rights of the Bank or the holders of the Series 2007A Bonds under this Agreement or with respect to the Series 2007A Bonds.

(r) <u>No Sales to Issuer</u>. The Issuer shall not permit the Remarketing Agent to sell Series 2007A Bonds to the Issuer.

## (s) Substitution of the Bond Insurer.

- (i) The Issuer shall at all times maintain the Bond Insurance Policy so that such Bond Insurance Policy (A) provides coverage in an amount equal to all regularly scheduled payments of principal of and interest on the Series 2007A Bonds (whether at the stated rate for Series 2007A Bonds not purchased hereunder or at the Purchased Series 2007A Bond Rate or the Default Rate, if applicable), (B) includes an endorsement insuring the scheduled repayment of the mandatory redemption of Purchased Series 2007A Bonds pursuant to the Resolution and (C) remains in full force and effect for so long as any payment of principal or interest is outstanding with respect to any Series 2007A Bond (including any Purchased Series 2007A Bond).
- (ii) The Issuer and the Trustee will not substitute the Bond Insurer as insurer of the Series 2007A Bonds or cancel the Bond Insurance Policy without the Bank's prior written consent, which shall be within the Bank's sole and absolute discretion. If at any time any rating of the financial strength of the Bond Insurer falls below the Permitted Minimum Bond Insurer Ratings, the Issuer will use its best efforts, within 60 days after the request of the Bank, to (A) obtain a substitute bond insurance policy on terms comparable to the Bond Insurance Policy or as to which the Bank may otherwise consent, in form and substance and from an insurer satisfactory to the Bank, (B) convert the interest rate on the Series 2007A Bonds to a Non-Covered Interest Rate, (C) obtain an Alternate Liquidity Facility or (D) provide other additional insurance or other credit enhancement in respect of principal and interest on the Series 2007A Bonds (including Purchased Series 2007A Bonds) on terms comparable to the Bond Insurance Policy or as to which the Bank may otherwise consent, in form and substance and from an insurer satisfactory to the Bank.
- (iii) The Issuer shall promptly forward to the Bank all material notices, if any, received by the Issuer from the Bond Insurer under the Bond Insurance Policy.
- (t) <u>Underlying Bond Rating</u>. The Issuer shall at all times maintain an Underlying Bond Rating.
- (u) <u>Short-Term Rating</u>. At any time the Series 2007A Bonds do not have a short-term rating, the Issuer shall timely apply for a short-term rating on the Series 2007A Bonds so as to receive a short-term rating on the Series 2007A Bonds by no later than 180 days prior to the last day of the then-current Term Interest Rate Period. If upon such application, the Issuer is unable to obtain a short-term rating for the Series 2007A Bonds by the date set forth in the preceding sentence, the Issuer shall on or before the last day of the then-current Term Interest Rate Period (i) cause the

Series 2007A Bonds to be remarketed into another Term Interest Rate Period or (ii) obtain an Alternate Liquidity Facility.

#### ARTICLE VII

## EVENTS OF TERMINATION; EVENTS OF DEFAULT; REMEDIES

Section 7.01. <u>Events of Termination</u>. Each of the following shall constitute an "Event of Termination" under this Agreement:

- (a) <u>Non Payment of Insured Amounts</u>. Any principal or interest due on the Series 2007A Bonds is not paid when due and such principal or interest is not paid by the Bond Insurer when, as, and in the amounts required to be paid pursuant to the terms of the Bond Insurance Policy; or
- (b) <u>Invalidity or Contest of Validity of Bond Insurance Policy</u>. The Bond Insurer shall in writing to the Trustee claim that the Bond Insurance Policy with respect to the payment of principal of or interest on the Series 2007A Bonds is not valid and binding on the Bond Insurer, and repudiate the obligations of the Bond Insurer under the Bond Insurance Policy with respect to payment of principal of or interest on the Series 2007A Bonds, or the Bond Insurer shall initiate any legal proceedings to seek an adjudication that the Bond Insurance Policy, with respect to the payment of principal, interest, or the special redemption of the Series 2007A Bonds pursuant to Section 3.04 hereof, is not valid and binding on the Bond Insurer, or any court or Governmental Authority with jurisdiction to rule on the validity of the Bond Insurance Policy shall announce, find or rule that the Bond Insurance Policy is not valid and binding on the Bond Insurer; or
- (c) <u>Bond Insurer Insolvency; Bond Insurer Downgrade Below Investment Grade</u>. Either (i) the occurrence of a Bond Insurer Event of Insolvency, or (ii) each of Moody's, S&P, and Fitch withdraw or suspend the financial strength rating of the Bond Insurer or reduce such rating, in the case of S&P, below "BBB-", in the case of Moody's, below "Baa3," and in the case of Fitch, below "BBB-"; or
- (d) <u>Bond Insurer Default on other Policies</u>. Any default by the Bond Insurer in making payment when, as and in the amounts required to be made pursuant to the express terms and provisions of any other bond insurance policy issued by the Bond Insurer insuring publicly rated bonds and such failure shall continue for seven (7) days unless the obligation of the Bond Insurer to pay is being contested by the Bond Insurer in good faith by appropriate proceedings; or
- (e) <u>Permitted Minimum Bond Insurer Ratings</u>. The Bond Insurer shall fail to maintain the Permitted Minimum Bond Insurer Ratings for a period of 30 consecutive days.

Section 7.02. Events of Default. Each of the following shall constitute an "Event of Default" under this Agreement.

- (a) <u>Misrepresentation</u>. Any material representation or warranty made by the Issuer under or in connection with this Agreement shall prove to be untrue in any material respect on the date as of which it was made; or
- (b) <u>Non Payment of Fees</u>. Non payment of any amounts payable under Section 2.05 hereof (together with interest thereon at the Default Rate) within ten days after the Trustee, the Bond Insurer and the Issuer have received written notice from the Bank that the same were not paid when due; or
- (c) Other Non Payments. Non payment of any other fees or amounts payable under this Agreement (together with interest thereon at the Default Rate) within 20 days after written notice thereof to the Issuer, Trustee and the Bond Insurer by the Bank; or
- (d) <u>Certain Breaches</u>. The breach by the Issuer of any of the terms or provisions of Section 6.01(c)(i) (in respect of proceeds from the purchases of Series 2007A Bonds hereunder), (g) (in a material respect), (i), (j)(i) (with respect to the Remarketing Agent only) and (l) hereof; or
- (e) <u>Other Breaches</u>. The breach by the Issuer of any terms or provisions of this Agreement for which no cure period is otherwise specifically provided with respect thereto which is not remedied within 30 days after written notice thereof from the Bank shall have been received by the Issuer and the Bond Insurer; or

# (f) <u>Insolvency</u>.

- (i) The Issuer shall commence any case, proceeding or other action under any existing or future law of any jurisdiction, domestic or foreign, (A) relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition or other relief with respect to it or its debts, (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or the Issuer shall make a general assignment for the benefit of its creditors; or
- (ii) There shall be commenced against the Issuer any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in an order for such relief or in the appointment of a receiver or similar official or (B) remains undismissed, undischarged or unbonded for a period of 60 days; or
- (iii) There shall be commenced against the Issuer any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets, which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or

- (iv) The Issuer shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or
- (v) The Issuer shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts.
- (g) <u>Invalidity</u>. Any material provision of this Agreement or any Related Document (other than the Bond Insurance Policy) shall at any time for any reason cease to be valid and binding on the Issuer or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the Issuer or by any Governmental Authority having jurisdiction, or the Issuer shall deny that it has any further liability or obligation under any such document, or such document is cancelled or terminated without the Bank's prior written consent; or
- (h) <u>Cross Default</u>. The occurrence of any "event of default" as defined in any of the Related Documents (which is not waived pursuant to the terms thereof) which is not otherwise described in this Section 7.02, other than the failure of the Bank to provide funds for the purchase of Tendered Series 2007A Bonds when required by the terms and conditions of this Agreement; or
- (i) Other Debt. The Issuer shall have defaulted in the payment or performance of any obligation of a principal amount of \$5,000,000 or more that constitutes Debt, and such default permits the acceleration of the payment of moneys.

Section 7.03. <u>Remedies</u>. If any Event of Termination or Event of Default shall have occurred and be continuing:

- (a) <u>Immediate Termination</u>. In the case of an Event of Termination specified in Section 7.01(a), (c) or (d) hereof, the Available Commitment and Purchase Period and the obligation of the Bank to purchase Series 2007A Bonds shall immediately terminate without notice or demand (a "Termination Event"), and thereafter the Bank shall be under no obligation to purchase Series 2007A Bonds. Promptly upon the Bank obtaining knowledge of an Event of Termination specified in Section 7.01(a), (c) or (d), the Bank shall give written notice of the same to the Trustee, the Issuer, the Remarketing Agent and the Bond Insurer; provided, that the Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no manner affect the immediate termination of the Available Commitment and of the Bank's obligation to purchase Series 2007A Bonds pursuant to this Agreement.
- (b) <u>Termination with Notice</u>. In the case of an Event of Termination specified in Section 7.01(e) or an Event of Default specified in Section 7.02(b), (c), (d) (as it relates to Section 6.01(g)), (f), (g), or (i) hereof, the Bank may terminate the Available Commitment and Purchase Period by giving written notice to the Trustee, the Issuer, the Remarketing Agent and the Bond Insurer, specifying the date on which the Available Commitment and Purchase Period shall terminate (a "Notice of Termination"), which date, the Purchase Termination Date, shall be not less than 30 days from the date of

receipt of such notice by the Trustee. On and after the Purchase Termination Date, the Bank shall be under no further obligation to purchase Series 2007A Bonds hereunder.

- Suspension relating to Bond Insurance Policy. In the case of an Event of Termination specified in Section 7.01(b) hereof, the Bank's obligations to purchase Series 2007A Bonds shall be immediately suspended without notice or demand and thereafter the Bank shall be under no obligation to purchase until the Available Commitment is reinstated as described in this Section 7.03(c). Promptly upon the Bank obtaining knowledge of any such Event of Termination specified in Section 7.01(b), the Bank shall give written notice of the same to the Issuer, the Trustee, the Remarketing Agent and the Bond Insurer of such suspension; provided, that the Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of the Bank's obligations to purchase Series 2007A Bonds. If a court with jurisdiction to rule on the validity of the Bond Insurance Policy shall thereafter enter a final, non appealable judgment that the Bond Insurance Policy is not valid and binding on the Bond Insurer, then the Bank's obligation to purchase Series 2007A Bonds shall immediately terminate. If a court with jurisdiction to rule on the validity of the Bond Insurance Policy shall find or rule that the Bond Insurance Policy is valid and binding on the Bond Insurer, the Bank's obligations to purchase Series 2007A Bonds under this Agreement shall be automatically reinstated and the terms of this Agreement will continue in full force and effect (unless this Agreement shall otherwise have terminated or been suspended by its terms or in accordance with Section 7.03(a), (b) or (d)) hereof. Notwithstanding the foregoing, if, upon the earlier of the Stated Expiration Date or the date which is three years after the effective date of suspension of the Bank's obligations pursuant to this Section 7.03(c), litigation is still pending and a judgment regarding the validity of the Bond Insurance Policy as is the subject of such Event of Termination has not been obtained, then the Available Commitment and the obligation of the Bank to purchase Series 2007A Bonds shall at such time immediately terminate, and thereafter the Bank shall be under no obligation to purchase Series 2007A Bonds.
- Other Suspensions. During the pendency of an Event of Termination pursuant to Section 7.01(c) hereof (with respect to an order described in clause (a) of the definition of Bond Insurer Event of Insolvency) or Section 7.01(d) hereof (prior to the expiration of the 30 day period specified in Section 7.01(d) (each a "Potential Event of Termination"), the Bank's obligations to purchase Series 2007A Bonds shall be immediately suspended without notice or demand and thereafter the Bank shall be under no obligation to purchase Series 2007A Bonds until the Available Commitment is reinstated as described in this Section 7.03(d). Promptly upon the Bank obtaining knowledge of any such Potential Event of Termination, the Bank shall give written notice of the same to the Issuer, the Trustee, the Remarketing Agent and the Bond Insurer of such suspension; provided, however, that the Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of the Bank's obligations under this Agreement. In the event such Potential Event of Termination is cured prior to becoming a Termination Event, the Bank's obligations shall be automatically reinstated and the terms of this Agreement will continue in full force and effect (unless this Agreement shall otherwise

have terminated or been suspended by its terms or in accordance with Section 7.03(a), (b) or (c) hereof).

Other Remedies. In addition to the rights and remedies set forth in (e) Section 7.03(a), (b), (c) and (d) hereof, in the case of any Event of Termination specified in Section 7.01 hereof or in the case of any Event of Default specified in Section 7.02 hereof, upon the election of the Bank: (i) all amounts payable hereunder (other than payments of principal and redemption price of and interest on the Series 2007A Bonds or payments of Excess Series 2007A Bond Interest) shall upon notice to the Issuer become immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Issuer; and (ii) the Bank shall have all the rights and remedies available to it under this Agreement, the Related Documents, the Bond Insurance Policy or otherwise pursuant to law or equity; provided, however, that the Bank shall not have the right to terminate its obligation to purchase Series 2007A Bonds or to declare any amount due hereunder due and payable except as expressly provided herein, or to accelerate the maturity date of any Series 2007A Bonds except as provided in the Resolution. Without limiting the generality of the foregoing, the Bank agrees to purchase Series 2007A Bonds on the terms and conditions of this Agreement notwithstanding the institution or pendency of any bankruptcy, insolvency or similar proceeding with respect to the Issuer. The Bank will not assert as a defense to its obligation to purchase Series 2007A Bonds under this Agreement (x) the institution or pendency of a bankruptcy, insolvency or similar proceeding with respect to the Issuer, or (y) a determination by a court of competent jurisdiction in a bankruptcy, insolvency or similar proceeding with respect to the Issuer that this Agreement is not enforceable against the Issuer under applicable bankruptcy, insolvency or similar laws. subsection shall not limit the exercise of the Bank's remedies expressly provided for under any other subsection of this Section 7.03.

#### ARTICLE VIII

## **MISCELLANEOUS**

Section 8.01. No Waiver of Remedies. No failure or delay on the part of the Bank in exercising any right, power or privilege hereunder and no course of dealing shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which the Bank would otherwise have. No notice to or demand on the Issuer or any other party hereto in any case shall entitle the Issuer or such other party to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Bank to any other or further action in any circumstances without notice or demand.

Section 8.02. <u>Amendments</u>. No provision of this Agreement may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the parties hereto and only with the consent of the Bond Insurer; *provided, however*, that the provisions of Sections 2.05, 2.06 and 2.07 hereof, Articles IV, V and VI and Sections 8.07 and 8.08 hereof may be changed, waived, discharged or terminated and the Stated Expiration Date may be extended in

accordance with Section 8.10 hereof by instruments in writing signed solely by the Bank and the Issuer, and with written notice to the Trustee; provided, further, however, that the provisions of Section 5.02 hereof relating to conditions precedent to the purchase of Series 2007A Bonds and the provisions hereof relating to the coverage or application of proceeds of the Bond Insurance Policy may not be changed, waived, discharged or terminated without the prior written consent of the Bond Insurer. The Issuer shall give notice to Moody's and S&P of any amendments to this Agreement.

Section 8.03. Binding Effect; Assignment; Participations. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; provided, however, that the Issuer may not assign or transfer any of its rights or obligations hereunder without the prior written consent of the Bank, and any purported assignment in contravention hereof shall be void; and such assignee shall not be any Person registered as an investment company under the Investment Company Act of 1940, as amended, substantially all of the assets of which are invested in obligations exempt from federal income taxation under Section 103 or 103A of the Code or any similar or successor provision. The Bank may assign to one or more banks or other entities (collectively, "Assignees") all or any part of any of its rights or obligations hereunder, including, without limitation, the Purchased Series 2007A Bonds, and to the extent of any such assignment the Bank shall be relieved of its obligations hereunder and each Assignee shall have the same rights and benefits hereunder and under the Series 2007A Bonds, as it would have if it were the Bank hereunder; provided, however, that any such assignment by the Bank which would relieve the Bank of any of its duties or obligations hereunder shall not result in the withdrawal or reduction of the ratings, if any, then assigned by Moody's or S&P to the Series 2007A Bonds and, unless the intended assignee is an affiliate of the Bank and the then current ratings on the Series 2007A Bonds have been confirmed in writing by any of Moody's or S&P, as applicable, which then maintain a rating on the Series 2007A Bonds, such assignment shall not be effected without the prior written consent of the Issuer, the Bond Insurer and written notice to the Trustee. Additionally, the Bank shall have the right at any time to sell, assign, grant or transfer participations in all or part of its obligations hereunder and the obligations of the Issuer hereunder to any Participant without the consent of or notice to the Issuer, Trustee, the Bond Insurer or any other party; provided, that any such participation shall not relieve the Bank from any of its obligations hereunder and the Issuer, the Remarketing Agent, the Trustee and the Bond Insurer may deal exclusively with the Bank for all purposes of this Agreement, including the making of payment on Purchased Series 2007A Bonds, notwithstanding such participation. The Bank may disclose to any Participants or prospective Participants any information or other data or material in the Bank's possession relating to this Agreement, any Related Document and the Bond Insurer, without the consent of or notice to the Issuer or the Bond Insurer.

## Section 8.04. Governing Law; Venue; Waiver of Jury Trial.

(a) This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York without regard to its choice of law rules; provided, however, that the powers and legal capacity of the Issuer shall be governed by and construed in accordance with the laws of the State of Idaho.

- (b) To the extent permitted by law, the parties hereto each hereby irrevocably submit to the nonexclusive jurisdiction of any court of the State of New York or the United States District Court for the Southern District of the State of New York for the purpose of any suit, action or other proceeding arising out of this Agreement, at the election of the party initiating any such suit, action or proceeding which is brought by or against the Bank, the Trustee or the Issuer, and the parties each hereby irrevocably agree that all claims in respect of any such suit, action or proceeding may be heard and determined by any such court.
- (c) To the fullest extent permitted by law, the Issuer and the Bank agree to waive their respective rights to a jury trial of any and all claims or causes of action based upon or arising out of this Agreement and the other related documents. It is hereby acknowledged that the waiver of a jury trial is a material inducement for the Issuer and the Bank to enter into this Agreement and that the execution and delivery of this Agreement by the Issuer and the Bank is made in reliance upon such waiver. The Issuer and the Bank each further warrant and represent that such waiver has been knowingly and voluntarily made by each party hereto, following consultation with their respective legal counsel.
- (d) To the fullest extent permitted by law the Issuer waives and represents that the Issuer is not entitled to sovereign immunity from any legal proceedings to enforce or collect upon this Agreement or any Related Document to which it is a party or with respect to the transactions contemplated hereby or thereby (including, without limitation, immunity from service of process and immunity from jurisdiction of any court or tribunal in respect of itself). To the extent that the Issuer has or hereafter may acquire under any applicable law any right to immunity from set off or legal proceedings on the grounds of sovereignty, the Issuer hereby irrevocably waives, to the extent permitted by law, such rights to immunity for itself in respect of its obligations arising under or related to this Agreement or the Related Documents to which it is a party.
- (e) The Bank hereby waives the benefit of Article 15 of the French Civil Code relating to general and exclusive jurisdiction in any action or proceeding arising out of or relating to this Agreement or any of the related documents.
- (f) The waivers made pursuant to this Section 8.04 shall be irrevocable and unmodifiable, whether in writing or orally, and shall be applicable to any subsequent amendments, renewals, supplements or modifications of this Agreement. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court sitting without a jury.

Section 8.05. <u>Indemnification</u>. To the greatest extent permitted under state law, the Issuer agrees to indemnify and hold harmless the Bank from and against any and all claims, damages, losses, liabilities and reasonable costs or expenses (including, without limitation, reasonable attorney's fees and expenses) whatsoever which the Bank may incur (or which may be claimed against the Bank by any Person or entity whatsoever) by reason of, in connection with or relating to (a) the offering, sale, remarketing or resale of the Series 2007A Bonds (including, without limitation, by reason of any untrue statement or alleged untrue statement of any material fact contained or incorporated by reference in the Related Documents, the Official Statement (other than with respect to the information relating to the Bank in Appendix G-2

thereto) or in any supplement or amendment thereof or remarketing circular in accordance therewith, or the omission or alleged omission to state therein a material fact necessary to make such statements, in the light of the circumstances in which they are or were made, not misleading); (b) the validity, sufficiency or genuineness of the Related Documents or the Official Statement; (c) the execution and delivery of this Agreement, or the making or the failure to make purchases of Series 2007A Bonds under this Agreement, (d) the use of any proceeds of the Series 2007A Bonds or (e) any other act or activity (or failure to act) of the Issuer or any other party to the Related Documents, including but not limited to any act or activity financed with the proceeds of the Series 2007A Bonds, provided that the Issuer shall not be required to indemnify the Bank for any losses, claims, damages, liabilities, costs and expenses to the extent that there has been a final, non appealable determination by a court of competent jurisdiction that such losses, claims, damages, liabilities, costs and expenses were caused by the willful misconduct or gross negligence of the Bank.

Section 8.06. <u>Obligations Absolute</u>. The obligations of the Issuer under this Agreement shall be absolute, unconditional and irrevocable, and shall be paid and performed strictly in accordance with the terms of this Agreement, under all circumstances whatsoever, including, without limitation, the following circumstances:

- (a) any lack of validity or enforceability of all or any of the Related Documents; or
- (b) any amendment or waiver of or any consent to or departure from the terms of all or any of the Related Documents; or
- (c) any exchange, release or non perfection of any collateral or any release or amendment or waiver of or consent to departure from any of the Related Documents; or
- (d) the existence of any claim, set off, defense, or other right which the Issuer may have at any time against the Trustee, the Remarketing Agent, the Bond Insurer, the Bank (other than the defense of the payment to the Bank in accordance with the terms of this Agreement) or any other Person, whether in connection with this Agreement, the Related Documents or any unrelated transactions; or
- (e) any certificate, notice or any other document presented other than by the Bank under this Agreement or any of the Related Documents proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever; or
- (f) any other circumstances or happening whatsoever, whether or not similar to any of the foregoing.

Section 8.07. <u>Liability of Bank</u>. The Issuer and the Trustee agree that the Bank shall have no liability or responsibility for the acts or omissions of the Remarketing Agent or the Trustee in respect of the use of this Agreement or any amounts made available by the Bank hereunder. The Bank shall have no responsibility for, nor incur any liability in respect of, any act, or any failure to act, by the Trustee or the Remarketing Agent which results in the failure of the Trustee to effect the purchase of Tendered Series 2007A Bonds for the account of the Bank

with funds provided by the Bank pursuant to Section 2.02 hereof or to comply with the applicable provisions of the Resolution or any Related Document to which the Trustee is a party. Neither the Bank nor any of its officers or directors shall be liable or responsible for: (a) the use which may be made of this Agreement or any amounts made available by the Bank hereunder or for any acts or omissions of the Trustee or the Remarketing Agent or their agents in connection therewith; (b) the validity, sufficiency or genuineness of documents, or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; or (c) any other circumstances whatsoever in making or failing to make payment under this Agreement, except only that the Issuer shall have a claim against the Bank and the Bank shall be liable to the Issuer to the extent of any direct, as distinguished from consequential, damages suffered by the Issuer when the Issuer proves in a final, non appealable judgment that such direct damages were caused by the Bank's willful failure to purchase Tendered Series 2007A Bonds when required under the terms and conditions of this Agreement or were caused by the gross negligence of the Bank.

Section 8.08. <u>Notice</u>. Any notice, demand, direction, request or other instrument authorized or required by this Agreement to be given to or filed with Issuer, the Trustee, the Remarketing Agent, the Bank or the Bond Insurer, shall be deemed or have been sufficiently given or filed for all purposes when delivered by hand, nationally recognized overnight delivery service, or when sent by registered mail, return receipt requested, postage prepaid, or, if given by facsimile transmission when receipt is acknowledged by the individual or an authorized representative of the entity specified below; provided that any such notice, demand, direction, request or other instrument to the Bank shall be effective only when actually received by the Bank:

If to the Issuer:	The Regents of the University of Idaho		
	Tax Identification Number: []  Attention: []  Telephone: []  Facsimile: []		
If to the Trustee:	Wells Fargo Bank, National Association []		
	Attention: [] Telephone: [] Facsimile: []		

If to the Bond Insurer:	Financial Security Assurance Inc.
	31 West 52nd Street
	New York, New York 10019
	Attention: Managing Director–Surveillance
	Re: Policy No
	Telephone: (212) 826-0100
	Facsimile: (212) 339-3529
If to the Remarketing Agent:	George K. Baum & Company
	[]
	[ ]
	Attention: []
	Telephone: []
	Facsimile: []
If to the Bank:	Dexia Credit Local
	New York Branch
	445 Park Avenue
	New York, New York 10022
For operations and funding:	Attention: Vice President, Operations
	Telephone: (212) 515-7007
	Facsimile: (212) 753-7522
For administration:	Attention: Manager, Public Finance
Tor administration.	Telephone: (212) 515-7003
	•
	Facsimile: (212) 753-5516

Copies of any notices hereunder shall be sent to the Bond Insurer.

Section 8.09. Term of the Agreement; Right of Issuer to Terminate Upon Certain Events.

- (a) <u>General</u>. The term of this Agreement shall be until the later of (i) the last day of the Purchase Period (as it may be extended pursuant to Section 8.10 hereof) or (ii) the payment in full of the principal of and interest on all Series 2007A Bonds purchased by the Bank hereunder together with all other amounts due and owing to the Bank pursuant to this Agreement.
- (b) <u>Issuer's Right to Terminate</u>. To the extent permitted by the Resolution, this Agreement may, with the written consent of the Bond Insurer, be terminated at any time by written notice from the Issuer to the Bank if:
  - (i) the Bank fails to purchase Series 2007A Bonds when obligated to do so in accordance with the provisions of this Agreement; or
  - (ii) a proceeding is instituted in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect of the Bank or for any substantial part of its property under any

applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) and such proceeding is not terminated for a period of 60 consecutive days or such court enters an order granting the relief sought in such proceeding or the Bank shall institute or take any corporate action for the purpose of instituting any such proceeding; or the Bank shall become insolvent or unable to pay its debts as they mature, shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the Bank or for any substantial part of its property, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action in furtherance of any of the foregoing; or

- (iii) the short-term rating of the Bank is withdrawn or reduced below "P-1" by Moody's and "A-1+" by S&P and the Issuer elects to replace the Bank with an Alternate Liquidity Facility from a provider with a higher rating than the Bank; or
- (iv) the Bank and the Issuer fail to agree on an amendment to this Agreement as set forth in Section 8.12 hereof and the Issuer elects to replace the Bank with an Alternate Liquidity Facility; or
- (v) (A) the Bank shall have notified the Issuer that pursuant to Section 2.06 hereof it requires compensation for an increase in costs, reduction in income or additional expense specified therein, (B) the Issuer shall have delivered to the Bank a certificate to the effect that the Issuer has identified a financial institution which will furnish an Alternate Liquidity Facility at a price which is equal to or less than the price charged by the Bank after giving effect to such increased cost, reduction in income or additional expense and (C) within ten Business Days following receipt by the Bank of such certificate the Bank shall not have withdrawn or modified its imposition of such increased costs so that the commitment fee charged by the Bank is not in excess of the amount proposed to be charged by such other financial institution; or
- (vi) the Issuer for any other reason elects to replace the Bank with an Alternate Liquidity Facility or to convert all of the Series 2007A Bonds to a Non-Covered Interest Rate.

The effective date of a termination on account of an event described in clause (i) or (ii) shall be the earlier of the effective date of an Alternate Liquidity Facility or 45 days from the date of receipt by the Bank of the notice of termination. The effective date of a termination on account of an event described in clause (iii), (iv), (v) or (vi) shall be the effective date of an Alternate Liquidity Facility. The Issuer agrees to send to the Trustee a copy of any termination notice given by the Issuer to the Bank pursuant to this Section 8.09 promptly after delivery of such notice to the Bank.

Section 8.10. Extension of Purchase Period. The Stated Expiration Date may be extended from time to time by agreement in writing between the Bank and the Issuer (the period

from the preceding Stated Expiration Date to such new Stated Expiration Date being herein sometimes called the "Extended Purchase Period"). The Extended Purchase Period may itself be extended in a like manner for additional periods. If no Event of Termination or Event of Default is continuing, the Issuer may make written request to the Bank, no later than six months prior to the then current Stated Expiration Date and no earlier than one year prior to the Stated Expiration Date, that the Bank extend the Stated Expiration Date. The Issuer has no obligation to request an Extended Purchase Period, and the Bank has no obligation to agree to any Extended Purchase Period, and all terms of the extension (including the term, commitment and other fees, interest rates and other provisions) shall be mutually acceptable to the Bank and the Issuer. The Bank agrees to respond to a written extension request by the Issuer (with a copy to the Bond Insurer) within 90 days of receipt of such request. If the Bank and the Issuer agree to an Extended Purchase Period, the Bank shall give written notice in the form of a Notice of Extension substantially in the form of Exhibit C hereto of its determination to extend to the Issuer, with a copy to the Trustee, the Bond Insurer and the Remarketing Agent. If under the terms of the Resolution, an extension (giving effect to any such changes in the terms and conditions of this Agreement) requires the consent of the Bond Insurer, such extension shall not become effective unless the Bond Insurer shall have consented thereto.

Section 8.11. <u>Survival</u>. All representations, warranties, covenants and agreements of the Issuer contained in this Agreement as amended or supplemented from time to time or made in writing in connection herewith shall survive the execution and delivery hereof and the purchase of Series 2007A Bonds by the Bank hereunder and shall continue in full force and effect until payment in full of all the obligations of the Issuer hereunder and with respect to the Series 2007A Bonds, it being understood that the agreements of the Issuer found in Sections 2.05, 2.06 and 8.05 hereof shall survive the termination of this Agreement and payment in full of such obligations.

Section 8.12. Enforcement by Trustee. The Bank agrees that the Trustee may enforce the provisions of this Agreement on behalf of the Series 2007A Bondholders against the Bank. The Bank further agrees that if any provision of this Agreement shall be held or deemed to be or shall in fact be illegal, inoperative or unenforceable, as between the Bank and the Issuer, the same shall not affect any other provisions herein contained or render the same invalid, inoperative or unenforceable as between the Bank and the Trustee, nor shall the same affect the Bank's rights and remedies hereunder, including, under certain circumstances, causing the mandatory tender of the Series 2007A Bonds or terminating the obligation of the Bank to purchase the Series 2007A Bonds as expressly provided herein. The Trustee is executing this Agreement solely in its capacity as Trustee under the Resolution.

Section 8.13. Right of Setoff. The Bank may, at any time and from time to time, without notice to the Issuer or any other Person (any such notice being expressly waived), set off and appropriate and apply, against and on account of, any obligations and liabilities of the Issuer to the Bank arising under or connected with this Agreement and the Related Documents, without regard to whether or not the Bank shall have made any demand therefor, and although such obligations and liabilities may be contingent or unmatured, any and all deposits (general or special, including but not limited to indebtedness evidenced by certificates of deposit, whether matured or unmatured, but not including trust accounts) and any other indebtedness at any time held or owing by the Bank to or for the credit or the account of the Issuer. Within 30 days of the

exercise of its rights under this Section 8.13, the Bank shall notify the Issuer of the amount of deposits set off.

Section 8.14. <u>Assignment to Federal Reserve Bank</u>. The Bank may assign and pledge all or any portion of the obligations owing to it to any Federal Reserve Bank or the United States Treasury as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank, provided that any payment in respect of such assigned obligations made by the Issuer to the Bank in accordance with the terms of this Agreement shall satisfy the Issuer's obligations hereunder in respect of such assigned obligation to the extent of such payment. No such assignment shall release the Bank from its obligations hereunder.

Section 8.15. <u>Beneficiaries</u>. This Agreement is not intended and shall not be construed to confer upon any Person other than the parties hereto and their successors and permitted assigns and participants any rights or remedies hereunder provided that (a) the agreement of the Bank to purchase Series 2007A Bonds in accordance with the terms and conditions of this Agreement is made for the benefit of the holders from time to time of the Series 2007A Bonds and (b) the Bond Insurer shall be a third-party beneficiary of this Agreement.

Section 8.16. <u>USA Patriot Act</u>. The Bank hereby notifies the Issuer that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107 56 (signed into law October 26, 2001)) (the "Patriot Act"), it is required to obtain, verify and record information that identifies the Issuer, which information includes the name and address of the Issuer and other information that will allow the Bank to identify the Issuer in accordance with the Patriot Act, and the Issuer hereby agrees to take any action necessary to enable the Bank to comply with the requirements of the Patriot Act.

Section 8.17. <u>Severability</u>. If any provision of this Agreement shall be held or deemed to be or shall in fact be illegal, inoperative or unenforceable, the same shall not affect any other provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

Section 8.18. <u>Counterparts</u>. This Agreement may be simultaneously executed in several counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same instrument.

Section 8.19. <u>Complete and Controlling Agreement</u>. This Agreement and the Related Documents completely set forth the agreements between the Bank and the Issuer and fully supersede all prior agreements, both written and oral, between the Bank and the Issuer relating to the matters set forth in this Agreement and the Related Documents.

Section 8.20. <u>Contractual Interpretation</u>. The parties acknowledge that they have read and fully understand the terms of this Agreement, have consulted with such attorneys, accountants, advisors, or other professionals as they have deemed appropriate prior to executing this Agreement with adequate opportunity and time for review thereof, and are fully aware of its contents and of its legal effect. Accordingly, this Agreement shall not be construed against any

party on the grounds that such party drafted this Agreement and instead, this Agreement shall be interpreted as though drafted equally by all parties.

[Remainder of this pages intentionally left blank]

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed and delivered this Agreement, effective as of the day and year first above written.

ByVice President	
vice i resident	
THE REGENTS OF THE UNIVERSITY OF IDAHO, as the Issuer	
Ву	
Name Title	
WELLS FARGO BANK, NATIONAL	
ASSOCIATION, as the Trustee	
By Name	
Title	

#### **EXHIBIT A**

### NOTICE OF PURCHASE

The undersigned, a duly authorized officer of Wells Fargo Bank, National Association, as trustee (the "Trustee"), hereby certifies to Dexia Credit Local, New York Branch (the "Bank"), in accordance with the Standby Bond Purchase Agreement (the "Standby Agreement"), dated as of October 1, 2007 among The Regents of the University of Idaho, a state institution of higher education and body politic and corporate organized and existing under and pursuant to the Constitution and laws of the State of Idaho, the Trustee and the Bank (all capitalized terms herein having the meanings ascribed thereto in the Standby Agreement), that:

1. [Notice of tender of Eligible Series 2007A Bonds for purchase having a Purchase Price of \$ has been received] [Eligible Series 2007A Bonds having a Purchase Price of \$ have been called for mandatory purchase] pursuant to Section [4.7(a)]/[4.8(a)] of the Supplemental Resolution, of which \$ constitutes principal and \$ constitutes accrued interest.*
2. Amounts available for the payment of the Purchase Price of such Eligible Series 2007A Bonds are \$, of which \$ is available to pay principal and of which \$ is available to pay accrued interest.
3. The total principal amount requested hereby for the payment of the principal portion of the Purchase Price of Eligible Series 2007A Bonds is \$
4. The total amount requested hereby to pay the portion of the Purchase Price for Eligible Series 2007A Bonds constituting accrued interest is \$, which amount does not exceed the Available Interest Commitment or the amount of interest referred to in Paragraph 1 above less the amount of interest referred to in Paragraph 2 above.
5. Eligible Series 2007A Bonds referred to above having a Purchase Price of \$ [the amount in Paragraph 3 plus the amount in Paragraph 4] are hereby tendered to the Bank for purchase pursuant to the Standby Agreement on the date hereof.
6. Upon completion of purchase, the Trustee will [register such Series 2007A Bonds or, if a Series 2007A Bond for which notice of optional tender or mandatory purchase has been given is not delivered, a new Series 2007A Bond issued in replacement of the undelivered Series 2007A Bond, in the name of the Bank or if directed in writing by the Bank its nominee or designee on the Bond Register] [cause the beneficial ownership of such Series 2007A Bonds to be credited to the account of the Bank or if directed in writing by the Bank its nominee or designee with the DTC], and

-

<sup>\*</sup> If the Eligible Series 23007A Bonds are to be purchased on an Interest Payment Date, this amount will exclude the interest payable on such date.

	to such deliv	ery will hold such Series 2007A Bonds in trust for the benefit of the Bank.			
	7.	The Purchase Date is			
	8. Trustee as fo	The purchase price for such Series 2007A Bonds is to be paid to the llows:			
		(a);			
		(b)			
		To the Trustee's knowledge, no Termination Event specified in (a), (c) or (d) or Potential Event of Termination specified in Section 7.03(d) and is occurring.			
the	IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of,				
		WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee			
		By			

Name Title

will promptly hold such Series 2007A Bonds in trust for the benefit of the Bank or deliver such Series 2007A Bonds as the Bank may otherwise direct in writing, and prior

# **EXHIBIT B**

# NOTICE OF TERMINATION

#### **EXHIBIT C**

### NOTICE OF EXTENSION

The undersigned, a duly authorized officer of Dexia Credit Local, acting through its New York Branch (the "Bank"), hereby notifies the Trustee, the Bond Insurer, the Remarketing Agent and the Issuer, each as defined in the Standby Bond Purchase Agreement (the "Standby Agreement"), dated as of October 1, 2007 among the Issuer, the Trustee and the Bank (all capitalized terms herein having the meanings ascribed thereto in the Standby Agreement), that effective upon the Issuer's acceptance as indicated by its signature below, the Stated Expiration Date has been extended from [INSERT CURRENT EXPIRATION DATE] to [INSERT NEW EXPIRATION DATE].

EXPIRATION DATE].

DEXIA CREDIT LOCAL, acting through its New York Branch

By Name Title

ACCEPTED:

THE REGENTS OF THE UNIVERSITY OF IDAHO

By Name Title

# **EXHIBIT D**

# NOTICE OF UNREMARKETED BONDS

The undersigned, a duly authorized officer of Wells Fargo Bank, National Association, as
Trustee (the "Trustee"), hereby certifies to Dexia Credit Local, acting through its New York
Branch (the "Bank"), in accordance with the Standby Bond Purchase Agreement (the "Standby
Agreement"), dated as of October 1, 2007, among the Issuer, the Trustee and the Bank (all
capitalized terms herein having the meanings ascribed thereto in the Standby Agreement), that:
[Notice of tender of Eligible Series 2007A Bonds for purchase having a Purchase Price of
\$ having been received] [Eligible Series 2007A Bonds having a Purchase Price of
\$ having been called for mandatory purchase] pursuant to the Resolution, pursuant
to Section 2.02(a) of the Standby Agreement, as of 4:00 p.m. on there is no
commitment to purchase Series 2007A Bonds in the principal amount of \$ which are
to be tendered on the next Business Day.
IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of
the day of,
WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Trustee
Ву
Name

Title

#### **EXHIBIT E**

### NOTICE OF TERMINATION OR REDUCTION

The undersigned, a duly authorized officer of Wells Fargo Bank, National Association, as Trustee (the "Trustee"), hereby certifies to Dexia Credit Local, acting through its New York Branch (the "Bank"), in accordance with the Standby Bond Purchase Agreement (the "Standby Agreement"), dated as of October 1, 2007, among the Issuer, the Trustee and the Bank (all capitalized terms herein having the meanings ascribed thereto in the Standby Agreement), that:

SF DRAFT: 09/06/07

## **ESCROW AGREEMENT**

Dated as of October 1, 2007

Between

THE REGENTS OF THE UNIVERSITY OF IDAHO

and

WELLS FARGO BANK, NATIONAL ASSOCIATION

### **ESCROW AGREEMENT**

This ESCROW AGREEMENT, dated as of October 1, 2007, between the REGENTS OF THE UNIVERSITY OF IDAHO (the "Issuer"), a state institution of higher education and body politic and corporate under the laws of the State of Idaho and Wells Fargo Bank, National Association, Boise, Idaho (in its capacity as escrow agent hereunder, the "Escrow Agent"), a national banking association organized and existing under the laws of the United States of America:

#### WITNESSETH

WHEREAS, the Issuer has heretofore issued its Student Fee Revenue Bonds (Recreation Center Project), Series 1999 (the "1999 Bonds"), its Student Fee Revenue Bonds, Series 2001 (University Housing Improvement Projects) (the "2001 Bonds") its Student Fee Revenue Bonds, Series 1999A (Elmwood Apartments Acquisition Project) (the "1999A Bonds"), and its Student Fee Revenue Bonds, (Sweet Avenue and University Campus Improvement Project), Series 1999B (the "1999B Bonds") (collectively the "Prior Obligations"); and,

WHEREAS, the Issuer has determined to cause the refunding of the Prior Obligations set forth on Exhibit "A".

WHEREAS, in order to accomplish the refunding, the Regents of the Issuer have authorized the execution and delivery of Issuer's Adjustable Rate General Revenue Refunding Bonds, Series 2007A ((the "Bonds") in the aggregate principal amount of \$\_\_\_\_\_\_ pursuant to the provisions of Issuer's General Bond Resolution November 22, 1991, and Supplemental Resolution adopted on October 11, 2007 (collectively, the "Resolution");

WHEREAS, the Issuer and the Escrow Agent enter into this Escrow Agreement in order to provide for the advance refunding and defeasance of certain of the Prior Obligations; and

NOW, THEREFORE, to secure all Prior Obligations referenced in Exhibit "A", the payment of the principal thereof and interest thereon, the Issuer does hereby sell, assign, transfer, set over and pledge unto the Escrow Agent its successors in the trust and its assigns forever, all of the right, title and interest of the Issuer in and to all amounts in the funds established hereunder,

TO HAVE AND TO HOLD the same and any other revenues, property, contracts or contract rights, accounts receivable, chattel paper, investments, general intangibles or other rights and the proceeds thereof, which may, by delivery, assignment or otherwise, be subject to the lien and security created by this Escrow Agreement.

IN ESCROW AND TRUST, NEVERTHELESS, for the equal and ratable benefit and security of all present and future holders of such Prior Obligations, without preference, priority or distinction as to such Prior Obligations.

**SECTION 1. Creation of Escrow Fund.** There is hereby created and established with the Escrow Agent a special and irrevocable escrow fund designated the University of Idaho 2007 Refunding Escrow Fund (the "Escrow Fund") to be held by the Escrow Agent as a trust fund for the benefit of the owners of said Prior Obligations. The Escrow Fund shall be held by the Escrow Agent separate and apart from other funds of the Issuer and of the Escrow Agent.

**SECTION 2. Receipt of Funds.** The Escrow Agent hereby acknowledges receipt of the sum of \$\_\_\_\_\_ from the proceeds of the Bonds.

# **SECTION 3. Application of Proceeds of Bonds.**

(a) Upon receipt by the Escrow Agent of the amount of the proceeds of the Bonds as set forth in Section 2 hereof the Escrow Agent shall immediately deposit said amount in the Escrow Fund.

The Escrow Agent shall apply \$\_\_\_\_\_\_ of the amount to be deposited in the Escrow Fund pursuant to this Section 3 to the purchase of non callable United States Treasury Obligations, as described in Exhibit "B" hereto (the "Government Obligations"). The remainder of said amount to be deposited to the Escrow Fund (\$\_\_\_\_) shall be held in cash. The Escrow Agent acknowledges receipt of book entry credit for the Government Obligations from an office of the Federal Reserve Bank.

(b) In reliance on the computations prepared by George K. Baum & Company and verified by Causey Demgen & Moore, Inc., attached hereto as Exhibit "C", the Issuer represents that the amounts deposited in the Escrow Fund pursuant to this Escrow Agreement together with income from the investment thereof, will provide sufficient funds to redeem on April 1, 2009 all of the 1999 Bonds set forth in Exhibit "A-1" and to pay interest thereon through April 1, 2009, to redeem on April 1, 2011 all of the 2001 Bonds set forth in Exhibit "A-2" and to pay the interest thereon on the through April 1, 2011, to redeem the 1999A Bonds set forth in Exhibit "A-3" on April 1, 2009 and to pay the interest thereon through April 1, 2009 the 1999B Bonds set forth in Exhibit "A-4" and to pay the interest thereon through April 1, 2009.

Any portion of the amounts received from the Government Obligations not needed at the time of receipt to make the payments of interest and principal and premium to the holders of the Prior Obligations shall remain uninvested in the Escrow Fund until applied for such purpose. For the purposes of the immediately preceding sentence "uninvested" shall mean (i) cash, if in an amount of less than \$5,000, or (ii) the purchase of additional Government Obligations bearing interest at such other rate or rates not exceeding the yield on the Bonds as stated in Issuer's Tax Certificate of even date herewith or as may be authorized by an approving opinion of nationally recognized bond counsel to the effect that such use of funds will not cause the Bonds or the Prior Obligations to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended; provided, however, that such additional Government Obligations shall be in an amount at least equal to their purchase price and shall mature on or before the dates and in the amounts needed to pay principal and interest on the said Prior Obligations. The

Escrow Agent shall at no time invest any amounts held in the Escrow Fund in any unit trust or mutual fund, nor shall the Escrow Agent enter into any agreement or contract for the investment of cash balances held in the Escrow Fund provided that the Escrow Agent may enter into one or more of said investments if the Escrow Agent has received the written opinions of Moody's Investors Service and Standard & Poor's that the rating on the Prior Obligations will not be lowered or withdrawn as a result of such investment.

**SECTION 4. Issuance Costs.** All costs and expenses related to the issuance of the Bonds shall be paid from the proceeds of the Bonds or other legally available sources of the Issuer.

**SECTION 5. Application of Escrow.** The Escrow Agent agrees that the amounts deposited in the Escrow Fund pursuant to Section 3 hereof and the interest income to be earned thereon and any other moneys and investments deposited in the Escrow Fund will be held in trust for the holders of the said Prior Obligations described on Exhibit "A-1". The Escrow Agent shall cause to be applied the principal of, and interest earned, on the Government Obligations (a) to the redemption on April 1, 2009 of all said 1999 Bonds set forth in Exhibit "A-2", and payment of all interest due thereon until April 1, 2009 accrued thereon, (b) to the redemption on April 1, 2011 of all said 2001 Bonds set forth in Exhibit "A" and payment of all interest due thereon until April 1, 2011, (c) to the redemption on April 1, 2009 of all said 1999A Bonds set forth in Exhibit "A-3" on April 1, 2009 and to the payment of all interest due thereon until April 1, 2009 and (d) to the redemption on April 1, 2009 of all the 1999B Bonds set forth in Exhibit "A-4" and to the payment of interest due thereon until April 1, 2009.

#### **SECTION 6.** Investment of Escrow Funds.

- (a) Except as provided in Section 3 hereof, the Escrow Agent shall have no power or duty to invest any funds held under this Escrow Agreement or to sell, transfer or otherwise dispose of or make substitutions of the Government Obligations.
- (b) The Issuer and Escrow Agent hereby covenant that no part of the moneys or funds held at any time in the Escrow Fund shall be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause the Bonds or the Prior Obligations or the obligations to which they relate to be "arbitrage bonds" as defined in subsections (a) and (b) of Section 148 of the Internal Revenue Code of 1986, as amended, and to be subject to treatment under subsection 103(b)(2) of the Internal Revenue Code of 1986 as obligations not described in subsection 103(a)(1).
- (c) At the written request of the Issuer and upon compliance with the conditions hereinafter stated, the Escrow Agent shall have the power to sell, transfer or otherwise dispose of or request the redemption of the Government Obligations acquired hereunder and to substitute therefor non callable United States Treasury Obligations meeting the requirements of this subsection (the "Substitute Government Obligations"). The Escrow Agent shall purchase such Substitute Government Obligations with the proceeds derived from the sale, transfer, disposition or redemption of the Government Obligations, together with any other funds available for such purpose. Any such transaction may be effected only if (i) an independent certified public accountant shall certify or have

certified that after such transaction (A) the principal amount of and interest on the Government Obligations to be held in the Escrow Fund, after giving effect to such transaction (including the Substitute Government Obligations to be acquired), will, together with any other cash to be held in the Escrow Fund, after giving effect to such transaction, be sufficient to pay without regard to further investment, as the same become due at maturity or earlier redemption, all principal of and premium, if any, and interest on the Prior Obligations that have not been paid previously, and (B) the amounts and dates of the anticipated payments from the Escrow Fund to the registered owners of the Prior Obligations will not be diminished or postponed thereby; and (ii) an opinion of counsel nationally recognized on the subject of municipal bonds shall be delivered to the Escrow Agent, which opinion shall be to the effect that such transaction will not result in the interest on the Prior Obligations or the Bonds becoming subject to federal income taxes then in effect. . Copies of the verification report and opinion shallbe provided to the bond insurer for the 1999A Bonds. At no time shall the Escrow Agent invest any amounts held in the Escrow Fund in any unit trust or mutual fund provided that the Escrow Agent may enter into one or more of said investments if the Escrow Agent has received the written opinions of Moody's Investors Service and Standard and Poor's that the rating on the Prior Obligations will not be lowered or withdrawn as a result of such investment.

**SECTION 7. Notice to Bond Holders and Redemption.** The Escrow Agent acknowledges receipt of a certified copy of the Resolution, in which the refunding of the said Prior Obligations is approved. The Escrow Agent further agrees for each of the Prior Obligations set forth in Exhibit "A" hereto, to cause a notice of the advance refunding of the Prior Obligations, in the applicable form attached hereto in Exhibit "D" to be mailed as soon as possible by certified mail, postage prepaid, to all registered owners of the Prior Obligations, to each insurer of the Prior Obligations, to Moody's Investment Service, New York, New York, and to Standard and Poor's, New York, New York and by certified or registered mail or overnight delivery service, to all registered securities depositories and to national information services that disseminate redemption notices.

The Escrow Agent shall cause a notice of redemption, in substantially the form as provided in Exhibit "E" attached hereto, of the 1999 Bonds set forth in Exhibit "A" hereto to be mailed by the Trustee and the insurer for the 1999 Bonds to all registered owners of the said 1999 Bonds at least thirty-five (35) days and not more than sixty (60) days prior to April 1, 2009. The Escrow Agent shall cause a notice of redemption, substantially in the form set forth in Exhibit "F" attached hereto, of the 2001 Bonds set forth in Exhibit "A" hereto to be mailed by the Trustee and the insurer for the 2001 Bonds and to all registered owners of said 2001 Bonds at least thirty-five (35) and not more than sixty (60) days prior to April 1, 2011. The Escrow Agent shall cause a notice of redemption, substantially in the form set forth in Exhibit "G" attached hereto, of the 1999A Bonds set forth on Exhibit "A" to be mailed by the Trustee and the insurer for the 1999A Bonds to all registered owners of said 1999A Bonds at least thirty-five (35) days and not more than sixty (60) days prior to April 1, 2009. The Escrow Agent shall also cause a notice of redemption, substantially in the form set forth in Exhibit "H", attached hereto, of the 1999B Bonds set forth in Exhibit "A", to be mailed by the Trustee and the insurer for the 1999B Bonds to all registered owners of the 1999B Bonds at least thirty-five (35) days and not more than sixty (60) days prior to April 1, 2009. A similar notice shall

also be sent by certified or registered mail simultaneously and preferably not less than thirty-five (35) days prior to the said redemption date, or as soon thereafter as possible, to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the said Prior Obligations (such depositories including Depository Trust Company of New York, New York and other similar holders) and to one or more national information services that disseminate notices of redemption of obligations such as the Prior Obligations (such as MUNIFACTS). On April 1, 2009, the Escrow Agent shall cause to be redeemed from monies in the Escrow Fund all 1999 Bonds, 1999A Bonds and 1999B Bonds set forth in Exhibit "A". On April 1, 2011 the Escrow Agent shall cause to be redeemed from monies in the Escrow Fund all 2001 Bonds set forth in Exhibit "A".

**SECTION 8. Disposition of Remaining Amounts, If Any.** On or after April 1, 2011, after payment of the principal of, and interest on, all the Prior Obligations set forth in Exhibit "A" has been made, all remaining moneys and securities in the Escrow Fund shall be transferred by the Escrow Agent to the Issuer, and provided that such amounts may be paid to such other person or applied to such other purpose as may be approved in a written opinion of nationally recognized bond counsel satisfactory to the Issuer to the effect that such other application of such amounts will not cause the Bonds to become "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986.

**SECTION 9. Lien and Irrevocable Pledge; Perfection of Security.** The Escrow Fund created hereby is hereby irrevocably pledged to the payment of the Prior Obligations irrevocable and the holders of the Prior Obligations shall have an express lien on and security interest in all amounts deposited in the Escrow Fund, including all amounts representing principal and all amounts representing interest on the Government Obligations in the Escrow Fund, until used and applied in accordance herewith. The Issuer agrees that financing statements may be filed with respect to this Escrow Agreement in such manner and in such places as may be required by law to fully protect the security of the holders of the Prior Obligations and the right, title and interest of the Escrow Agent, to all amounts deposited in the Escrow Fund and the principal and interest with respect to the Government Obligations, and shall take or cause to be taken all action necessary to preserve the aforesaid security so long as any of the Prior Obligations remain unpaid.

#### SECTION 10. Escrow Agent Compensation and Liability; Resignation.

(a) The Escrow Agent shall be compensated for its reasonable fees, expenses and disbursements, including legal fees, as more particularly set out in Exhibit "I" attached hereto. This right to receive compensation notwithstanding, the Escrow Agent acknowledges that it has no claim for any such payment under the Resolution, and that it has no lien on the moneys in the Escrow Fund for any such payment. On or within thirty (30) days after each April 1, beginning on April 30, 2008 and continuing on April 30 of each year thereafter until the termination of the escrow herein, the Escrow Agent shall submit to the Issuer a report covering all money it shall have received and all payments it shall have made or caused to be made hereunder during the preceding 12 months. Such report shall also list all obligations held in the Escrow Account, if any, and the amount of money existing in the Escrow Account as of each such April 1.

- (b) The Escrow Agent may act in reliance upon any signature believed by it to be genuine, and may assume that any person purporting to give any notice or receipt or advice or make any statements in connection with the provisions hereof has been duly authorized to do so.
- (c) The Escrow Agent may act relative hereto in reliance upon advice of nationally recognized bond counsel in reference to any matter connected herewith, and shall not be liable for any mistake of fact or error of judgment, or for any acts or omissions of any kind, unless caused by its negligence or willful misconduct. None of the provisions contained in this Escrow Agreement shall require the Escrow Agent to use or advance its own funds in the performance of any of its duties or the exercise of any of its rights or powers hereunder. The Escrow Agent's liabilities and obligations in connection with this Escrow Agreement are confined to those specifically described herein. The Escrow Agent shall not be responsible or liable for the sufficiency, correctness, genuineness or validity of the Government Obligations or any Substitute Government Obligations deposited with it.
- (d) The Escrow Agent may resign and be discharged of its duties hereunder provided that: (i) it has given thirty (30) days written notice to the Issuer of such resignation; (ii) the Issuer has appointed a successor to the Escrow Agent hereunder; (iii) the Escrow Agent and the Issuer have received an instrument of acceptance executed by the successor to the Escrow Agent and (iv) the Escrow Agent has delivered to its successor hereunder all of the escrowed documents, Government Obligations, moneys and investments held by the Escrow Agent in the Escrow Fund. Such resignation shall take effect only upon the occurrence of all of the events listed in clauses (i) through (iv) above. Upon receipt by the Issuer of the written notice described in clause (i) above, the Issuer shall use its best efforts to obtain a successor to the Escrow Agent hereunder as soon as possible.
- **SECTION 11.** Governing Law, Counterparts, Termination. This Escrow Agreement may be executed in several counterparts as part of one and the same instrument and shall be governed by the laws of the State of Idaho. This Escrow Agreement shall terminate when the principal of, and premium and interest on, all the said Prior Obligations has been paid.
- **SECTION 12. Amendments or Supplements.** This Escrow Agreement shall not be repealed, revoked, rescinded, altered, amended or supplemented in whole or in part without the written consent of 100% of the then holders of the said unpaid Prior Obligations, and the written consent of the Escrow Agent; provided, however, that this Escrow Agreement may be amended with the consent of the Issuer and the Escrow Agent with written notice to Trustee for the Prior Obligations to correct, cure or supplement any ambiguous or defective provision in a manner not inconsistent with the security of the holders of the said Prior Obligations, upon delivery of an opinion of nationally recognized bond counsel satisfactory to the Issuer that such amendment will not adversely affect the exemption from federal income tax of the interest on either the Prior Obligations or the Bonds. The Escrow Agent shall give notice (including draft copies of such amendments) to the bond insurers of the Prior Obligations, Moody's Investors Service, Standard & Poor's or any other rating service then rating the Bonds or the Prior Obligations, as the case

may be, of any amendment proposed pursuant to this Section if the Bonds or the Prior Obligations have been assigned a rating by either such agency.

**SECTION 13. Severability.** If any one or more of the covenants or agreements provided in this Escrow Agreement on the part of the Issuer or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Escrow Agreement. In such event, the Escrow Agent shall give notice thereof to Moody's Investors Service and Standard and Poor's.

**SECTION 14.** Successors and Assigns and Bond Insurers are Third Pary Beneficiaries. All of the covenants, promises and agreements in this Escrow Agreement contained by or on behalf of the Issuer or the Escrow Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not. The bond insurers for the Prior Obligations shall be deemed third party beneficiaries of this Escrow Agreement.

**SECTION 15. Headings.** Any headings preceding the text of the several Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Escrow Agreement, nor shall they affect its meaning, construction or effect.

**SECTION 16.** Notices. Any notices or communications to or among the Escrow Agent, the Issuer or the Trustee of Prior Obligations may be given as follows:

To the Issuer:

University of Idaho
Finance and Administration
Administration Building, Room 213
Moscow, Idaho 83844-3166
Attention: Vice President for Finance
and Administration

Telephone: (208) 885-6530 Fax: (208) 885-8931.

To the Escrow Agent:

Wells Fargo Bank, National Association 877 W. Main St., 3rd Floor MAC Code U 1858-033 Boise, Idaho 83702

Attn: Corporate Trust Department

Telephone: (208) 393-5491 Fax: (208) 393-5404

To the Trustee of Prior Obligations:

Wells Fargo Bank, National Association

877 W. Main St., 3rd Floor MAC Code U 1858-033 Boise, Idaho 83702

Attn: Corporate Trust Department

Telephone: (208) 393-5491 Fax: (208) 393-5404

Addresses for Bond Insurers shall be those on file with the Escrow Agent which is also Trustee for the Prior Obligations. 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.

IN WITNESS WHEREOF, the parties hereto have each caused this Escrow Agreement to be executed by their duly authorized officers as of the date first above written.

By:	Bursar
	LS FARGO BANK, NATIONAL OCIATION, as Escrow Agent

THE REGENTS OF THE UNIVERSITY

### EXHIBIT "A-1"

Schedule of the Regents of the University of Idaho Student Fee Revenue Bonds, (Recreation Center Project), Series 1999

Maturity Date			
(April 1)	Par Amount	Interest Rate	<u>CUSIP</u>
2010	670,000	4.300%	914318 VV9
2011	695,000	4.500%	914318 VW7
2014	2,320,000	6.000%	914318 VX5
2015	865,000	6.500%	914318 VY3
2019	3,975,000	4.900%	914318 VZ0
2025	7,610,000	5.000%	914318 WA4

NOTE: The above 1999 Bonds are in denominations of \$5,000 each, or integral multiples thereof, and are not callable prior to April 1, 2009 (for 1999 Bonds maturing on April 1, 2010 and thereafter). 1999 Bonds maturing on April 1, 2010 and thereafter are callable at the option of the Issuer on April 1, 2009 and any interest payment date thereafter in inverse order of maturity and by lot within a maturity in such manner as the Trustee shall determine at the redemption price of 101% and accrued interest to the date fixed for redemption.

## EXHIBIT "A-2"

Schedule of the Regents of the University of Idaho Student Fee Revenue Bonds, Series 2001 (University Housing Improvement Projects)

Maturity Date			
(April 1)	Par Amount	Interest Rate	<u>CUSIP</u>
2013	\$1,000,000	5.000%	914318 YA2
2023	10,125,000	5.375%	914318 YB0
2026	4,245,000	5.200%	914318 YC8
2031	5,695,000	5.250%	914318 YD6
2041	16,970,000	5.400%	914318 YE4

NOTE: The above 2001 Bonds are in denominations of \$5,000 each, or integral multiples thereof, and are not callable prior to April 1, 2011. The 2001 Bonds maturing on April 1, 2012 and thereafter are callable on April 1, 2011 and any date thereafter in inverse order of maturity (and by lot within a maturity in such manner as the Trustee shall determine) at the redemption price of 100% of the principal amount thereof and accrued interest to the date fixed for redemption.

### EXHIBIT "A-3"

Schedule of the Regents of the University of Idaho Student Fee Revenue Bonds, Series 1999A (Elmwood Apartments Acquisition Project)

Maturity Date			
(April 1)	Par Amount	Interest Rate	<u>CUSIP</u>
2010	\$50,000	4.450%	914318 WJ5
2014	220,000	5.250%	914318 WM8
2019	350,000	5.000%	914318 WN6
2025	555,000	5.000%	914318 WP1

NOTE: The above 1999A Bonds are in denominations of \$5,000 each, or integral multiples thereof, and are not callable prior to April 1, 2009 (for 1999A Bonds maturing on April 1, 2010 and thereafter). 1999A Bonds maturing on April 1, 2010 and thereafter are callable at the option of the Issuer on April 1, 2009 and any date thereafter in the inverse order of maturity (and by lot within a maturity in such manner as the Trustee shall determine) at the price of 101% of the principal amount thereof and accrued interest to the date fixed for redemption.

## EXHIBIT "A-4"

Schedule of the Regents of the University of Idaho Student Fee Revenue Bonds, Series 1999B (Sweet Avenue and University Campus Improvement Projects)

## Maturity Date

(April 1)	Par Amount	Interest Rate	<u>CUSIP</u>
2014	\$1,130,000	5.625%	914318 WX4
2019	1,475,000	5.250%	914318 WY2
2025	2,365,000	5.250%	914318 WZ9

NOTE: The above 1999B Bonds are in denominations of \$5,000 each, or integral multiples thereof, and are not callable prior to April 1, 2009 (for 1999B Bonds maturing on April 1, 2010 and thereafter). 1999B Bonds maturing on April 1, 2010 and thereafter are callable at the option of the Issuer on April 1, 2009 and any date thereafter in the inverse order of maturity (and by lot within a maturity in such manner as the Trustee shall determine) at the price of 101% of the principal amount thereof and accrued interest to the date fixed for redemption.

# EXHIBIT "B"

The	Government	Obligations	set	forth	on	Schedule	B-1	attached	hereto	shall	be
purchased 1	oursuant to Sec	tion 3 of this	Escı	ow Ag	gree	ment.					

# EXHIBIT "C"

# REFUNDING REPORT

Prepared By George K. Baum & Company

With Verification by Causey, Demgen & Moore, Inc.

(Attached)

### EXHIBIT "D-1"

#### FORM OF NOTICE OF REFUNDING

Regents of the University of Idaho Student Fee Revenue Bonds (Recreation Center Project), Series 1999

NOTICE IS HEREBY GIVEN that, for the payment of the interest and principal of the above-designated Bonds, (the "Bonds") as are more fully described on Schedule "1" attached hereto, funds have been deposited in escrow with Wells Fargo Bank, National Association, of Boise, Idaho, which, except to the extent maintained in cash, have been invested in direct obligations of the United States of America. The projected principal payments to be received from such investments and the projected interest income therefrom have been calculated to be sufficient to pay the interest on all said Bonds through April 1, 2009, and to redeem on April 1, 2009, the Bonds which mature on April 1, 2010 and thereafter at the redemption price of 101% of the par amount thereof plus accrued interest to the date of redemption.

DATED this da	y of, 2007.
	WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee
	By: Authorized Officer
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### **SCHEDULE "1"** TO NOTICE OF REFUNDING

# Regents of the University of Idaho Student Fee Revenue Bonds, (Recreation Center Project), Series 1999

Maturity Date			
(April 1)	Par Amount	Interest Rate	<u>CUSIP</u>
2010	670,000	4.300%	914318 VV9
2011	695,000	4.500%	914318 VW7
2014	2,320,000	6.000%	914318 VX5
2015	865,000	6.500%	914318 VY3
2019	3,975,000	4.900%	914318 VZ0
2025	7.610.000	5.000%	914318 WA4

NOTE: The above 1999 Bonds are in denominations of \$5,000 each, or integral multiples thereof, and are not callable prior to April 1, 2009 (for 1999 Bonds maturing on April 1, 2010 and thereafter). 1999 Bonds maturing on April 1, 2010 and thereafter are callable at the option of the Issuer on April 1, 2009 and any interest payment date thereafter in inverse order of maturity and by lot within a maturity in such manner as the Trustee shall determine at the redemption price of 101% and accrued interest to the date fixed for redemption.

### EXHIBIT "D-2"

#### FORM OF NOTICE OF REFUNDING

Regents of the University of Idaho Student Fee Revenue Bonds, Series 2001 (University Housing Improvement Projects)

NOTICE IS HEREBY GIVEN that, for the payment of the interest and principal of the above-designated Bonds, (the "Bonds") as are more fully described on Schedule "1" attached hereto, funds have been deposited in escrow with Wells Fargo Bank, National Association, of Boise, Idaho, which, except to the extent maintained in cash, have been invested in direct obligations of the United States of America. The projected principal payments to be received from such investments and the projected interest income therefrom have been calculated to be sufficient to pay the interest on all said Bonds through April 1, 2011, and to redeem on April 1, 2009, the Bonds which mature on April 1, 2012, and thereafter at the redemption price of 100% of the par amount thereof plus accrued interest to the date of redemption.

DATED this	day of	, 2007.
		WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee
		By: Authorized Officer
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# SCHEDULE "1" TO NOTICE OF REFUNDING

Regents of the University of Idaho Student Fee Revenue Bonds, Series 2001 (University Housing Improvement Projects)

Maturity Date			
<u>(April 1)</u>	Par Amount	Interest Rate	<u>CUSIP</u>
2013	\$1,000,000	5.000%	914318 YA2
2023	10,125,000	5.375%	914318 YB0
2026	4,245,000	5.200%	914318 YC8
2031	5,695,000	5.250%	914318 YD6
2041	16,970,000	5.400%	914318 YE4

NOTE: The above 2001 Bonds are in denominations of \$5,000 each, or integral multiples thereof, and are not callable prior to April 1, 2011. The 2001 Bonds maturing on April 1, 2012 and thereafter are callable on April 1, 2011 and any date thereafter in inverse order of maturity (and by lot within a maturity in such manner as the Trustee shall determine) at the redemption price of 100% of the principal amount thereof and accrued interest to the date fixed for redemption.

#### EXHIBIT "D-3"

#### FORM OF NOTICE OF REFUNDING

Regents of the University of Idaho Student Fee Revenue Bonds, Series 1999A (Elmwood Apartments Acquisition Project)

NOTICE IS HEREBY GIVEN that, for the payment of the interest and principal of the above-designated Bonds, (the "Bonds") as are more fully described on Schedule "1" attached hereto, funds have been deposited in escrow with Wells Fargo Bank, National Association, of Boise, Idaho, which, except to the extent maintained in cash, have been invested in direct obligations of the United States of America. The projected principal payments to be received from such investments and the projected interest income therefrom have been calculated to be sufficient to pay the interest on all said Bonds through April 1, 2009, and to redeem on April 1, 2009, the Bonds which mature on April 1, 2010 and thereafter at the redemption price of 101% of the par amount thereof plus accrued interest to the date of redemption.

DATED this	day of		, 2007.
			LS FARGO BANK, NATIONAL CLATION, as Trustee
		By:	Authorized Officer
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### SCHEDULE "1" TO NOTICE OF REFUNDING

Regents of the University of Idaho Student Fee Revenue Bonds, Series 1999A (Elmwood Apartments Acquisition Project)

(April 1)	Par Amount	Interest Rate	<u>CUSIP</u>
2010	\$50,000	4.450%	914318 WJ5
2014	220,000	5.250%	914318 WM8
2019	350,000	5.000%	914318 WN6
2025	555,000	5.000%	914318 WP1

NOTE: The above 1999A Bonds are in denominations of \$5,000 each, or integral multiples thereof, and are not callable prior to April 1, 2009 (for 1999A Bonds maturing on April 1, 2010 and thereafter). 1999A Bonds maturing on April 1, 2010 and thereafter are callable at the option of the Issuer on April 1, 2009 and any date thereafter in the inverse order of maturity (and by lot within a maturity in such manner as the Trustee shall determine) at the price of 101% of the principal amount thereof and accrued interest to the date fixed for redemption.

#### EXHIBIT "D-4"

#### FORM OF NOTICE OF REFUNDING

Regents of the University of Idaho Student Fee Revenue Bonds, Series 1999B (Sweet Avenue and University Campus Improvement Projects)

NOTICE IS HEREBY GIVEN that, for the payment of the interest and principal of the above-designated Bonds, (the "Bonds") as are more fully described on Schedule "1" attached hereto, funds have been deposited in escrow with Wells Fargo Bank, National Association, of Boise, Idaho, which, except to the extent maintained in cash, have been invested in direct obligations of the United States of America. The projected principal payments to be received from such investments and the projected interest income therefrom have been calculated to be sufficient to pay the interest on all said Bonds through April 1, 2009, and to redeem on April 1, 2009, the Bonds which mature on April 1, 2010, and thereafter at the redemption price of 101% of the par amount thereof plus accrued interest to the date of redemption.

DATED this day	of, 2007.
	WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee
	By:Authorized Officer
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**TAB 3** Page 313

### SCHEDULE "1" TO NOTICE OF REFUNDING

Regents of the University of Idaho Student Fee Revenue Bonds, Series 1999B (Sweet Avenue and University Campus Improvement Projects)

#### Maturity Date

(April 1)	Par Amount	Interest Rate	<u>CUSIP</u>
2014	\$1,130,000	5.625%	914318 WX4
2019	1,475,000	5.250%	914318 WY2
2025	2,365,000	5.250%	914318 WZ9

NOTE: The above 1999B Certificates are in denominations of \$5,000 each, or integral multiples thereof, and are not callable prior to April 1, 2009 (for 1999B Bonds maturing on April 1, 2010 and thereafter). 1999B Bonds maturing on April 1, 2010 and thereafter are callable at the option of the Issuer on April 1, 2009 and any date thereafter in the inverse order of maturity (and by lot within a maturity in such manner as the Trustee shall determine) at the price of 101% of the principal amount thereof and accrued interest to the date fixed for redemption.

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#### EXHIBIT "E"

### NOTICE OF REDEMPTION To the Owners of

Regents of the University of Idaho Student Fee Revenue Bonds (Recreation Center Project), Series 1999

NOTICE IS HEREBY GIVEN, pursuant to the provisions of the general resolution (the "Resolution") adopted by the Regents of the University (the "Issuer") on January 25, 1999, authorizing the issuance of the Issuer's above-referenced bonds (the "Bonds") all of the following Bonds will be redeemed as provided in the Resolution on April 11, 2009 (the "Redemption Date"), at a redemption price equal to 101.00% of the par amount thereof plus accrued interest to the Redemption Date:

Maturity Date			
(April 1)	Par Amount	Interest Rate	<u>CUSIP</u>
2010	670,000	4.300%	914318 VV9
2011	695,000	4.500%	914318 VW7
2014	2,320,000	6.000%	914318 VX5
2015	865,000	6.500%	914318 VY3
2019	3,975,000	4.900%	914318 VZ0
2025	7,610,000	5.000%	914318 WA4

Interest on the Bonds to be redeemed shall cease to accrue from and after the Redemption Date.

Upon presentation and surrender of the Bonds to be redeemed, the redemption price is due and payable and payment of the redemption price will be made.

Payment of the redemption presentation and on surrender of th WELLS FARGO BANK, National telephone number	e Bonds on or before the Association,	•
		BANK, NATIONAL , as Trustee, Paying Agent and Bonds
	By: Authorize	d Officer

EXHIBIT "F"

### NOTICE OF REDEMPTION To the Owners of

Schedule of the Regents of the University of Idaho Student Fee Revenue Bonds, Series 2001 (University Housing Improvement Projects)

NOTICE IS HEREBY GIVEN, pursuant to the provisions of the general resolution of the Regents of the University of Idaho (the "Issuer") adopted on November 22, 1991 and supplemental resolution adopted on September 20, 2001 (collectively, the "Resolution") authorizing the execution and delivery of the above-referenced Bonds (the "Bonds"), all of the following Bonds will be redeemed as provided in the Resolution on April 1, 2011 (the "Redemption Date"), at a redemption price equal to 100% of the par amount thereof plus accrued interest to the Redemption Date:

Maturity Date			
<u>(April 1)</u>	Par Amount	Interest Rate	<u>CUSIP</u>
2013	\$1,000,000	5.000%	914318 YA2
2023	10,125,000	5.375%	914318 YB0
2026	4,245,000	5.200%	914318 YC8
2031	5,695,000	5.250%	914318 YD6
2041	16,970,000	5.400%	914318 YE4

Interest on the Bonds to be redeemed shall cease to accrue from and after the Redemption Date.

Upon presentation and surrender of the Bonds to be redeemed, the redemption price is due and payable and payment of the redemption price will be made.

presentation and surrender	demption price on the Bonds to be redeemed very of the Bonds on or before the Redemption Date at ion, as Paying Agent	nt WELLS FARGO
Dated:	WELLS FARGO BANK, NATA ASSOCIATION, as Trustee and	
	By: Authorized Officer	

#### EXHIBIT "G"

### NOTICE OF REDEMPTION To the Owners of

Schedule of the Regents of the University of Idaho Student Fee Revenue Bonds, Series 1999A (Elmwood Apartments Acquisition Project)

NOTICE IS HEREBY GIVEN THAT, pursuant to the provisions of the general resolution of the Regents of the University of Idaho adopted on November 22, 1991 and the supplemental resolution adopted on January 25, 1999 (the "Issuer") (collectively, the "Resolution") authorizing the execution and delivery of the Issuer's above Bonds (the "Bonds"). All of the following Bonds will be redeemed as provided in the Resolution on April 1, 2009 (the "Redemption Date"), at a redemption price equal to 101% of the par amount thereof plus accrued interest to the Redemption Date:

Maturity Date			
(April 1)	Par Amount	Interest Rate	<u>CUSIP</u>
2010	\$50,000	4.450%	914318 WJ5
2014	220,000	5.250%	914318 WM8
2019	350,000	5.000%	914318 WN6
2025	555,000	5.000%	914318 WP1

Interest on the Bonds to be redeemed shall cease to accrue from and after the Redemption Date.

Upon presentation and surrender of the Bonds to be redeemed, the redemption price is due and payable and payment of the redemption price will be made.

presentation and surrender of the Bonds on	on the Bonds to be redeemed will be made upon or before the Redemption Date at Wells Fargo Bank,
Dated:	WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee and Paying Agent
	By: Authorized Officer

#### EXHIBIT "H"

### NOTICE OF REDEMPTION To the Owners of

Schedule of the Regents of the University of Idaho Student Fee Revenue Bonds, Series 1999B (Sweet Avenue and University Campus Improvement Projects)

NOTICE IS HEREBY GIVEN THAT, pursuant to the provisions of the general resolution of the Regents of the University of Idaho adopted on November 22, 1991 and the supplemental resolution adopted on June 18, 1999 (collectively, the "Resolution") authorizing the execution and delivery of the Issuer's above Bonds (the "Bonds"). All of the following Bonds will be redeemed as provided in the Resolution on April 1, 2009 (the "Redemption Date"), at a redemption price equal to 101% of the par amount thereof plus accrued interest to the Redemption Date:

Maturity Date			
(April 1)	Par Amount	Interest Rate	<u>CUSIP</u>
2014	\$1,130,000	5.625%	914318 WX4
2019	1,475,000	5.250%	914318 WY2
2025	2,365,000	5.250%	914318 WZ9

Interest on the Bonds to be redeemed shall cease to accrue from and after the Redemption Date.

Upon presentation and surrender of the Bonds to be redeemed, the redemption price is due and payable and payment of the redemption price will be made.

, i	price on the Bonds to be redeemed will be made uporneds on or before the Redemption Date at Wells Fargo Bank
1	Agent,,
Dated:	WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee and Paying Agent
	By:
	Authorized Officer

#### **ATTACHMENT 9**

#### EXHIBIT "I"

#### FEE SCHEDULE

University of Idaho

#### REFUNDING ESCROW

#### **ESCROW AGENT FEE**

ADMINISTRATIVE FEE (one time) payable at closing......\$3,000

Plus out-of-pocket expenses, including but not limited to publication and other expenses of the notice and proceedings for redemption of Bonds, billed at the time such costs are incurred.

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#### **ATTACHMENT 9**

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#### **ATTACHMENT 10a**

BSAI Draft: 8/29/07

[Ballard Spahr Letterhead]

\_\_\_\_\_

Regents of the University of Idaho Moscow, Idaho

Re: The Regents of the University of Idaho, Adjustable Rate General Revenue Refunding Bonds, Series 2007A and Adjustable Rate General Revenue Bonds, Series 2007B

We have acted as co-bond counsel to the Regents of the Regents of Idaho (the "Regents") in connection with the issuance by the Regents of their Adjustable Rate General Revenue Refunding Bonds, Series 2007A in the aggregate principal amount of \$ (the "Series 2007A Bonds") and its Adjustable Rate General Revenue Bonds, Series 2007B in the aggregate amount of \$ (the "Series 2007B Bonds" and together with the Series 2007A Bonds, the "Series 2007 Bonds"). The Series 2007 Bonds are being issued pursuant to (i) Title 57, Chapter 5 and Title 33, Chapter 38, Idaho Code, as amended; and (ii) a Resolution, adopted by the Regents on November 22, 1991 as heretofore amended and supplemented and restated (the "Original Resolution") and as further supplemented and amended by a supplemental resolution of the Regents adopted on October 11, 2007 (collectively, the "Resolution"). The Series 2007 Bonds are being issued for the purpose of paying all or part of the cost of (i) advance refunding certain outstanding bonds, (ii) funding certain capital improvements of the University of Idaho (the "University"), and (iii) paying costs of issuance associated with the Series 2007 Bonds. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Resolution.

Our services as co-bond counsel have been limited to the preparation of the legal proceedings and supporting certificates authorizing the issuance of the Series 2007 Bonds under the applicable laws of the State of Idaho and to a review of the transcript of such proceedings and certificates. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation. Our examination has been limited to the foregoing as they exist or are in effect as of the date hereof. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

The Internal Revenue Code of 1986, as amended (the "Code), contains a number of requirements and restrictions which apply to the Series 2007 Bonds. The Regents have

covenanted to comply with all such requirements and restrictions. Failure to comply with certain of such requirements and restrictions may cause interest on the Series 2007 Bonds to become includible in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2007 Bonds. We have assumed, without undertaking to determine or confirm, continuing compliance by the Regents with such requirements and restrictions in rendering our opinion regarding the tax-exempt status of interest on the Series 2007 Bonds.

Based on our examination and the foregoing, we are of the opinion as of the date hereof and under existing laws as follows:

- 1. The Resolution has been duly adopted by the Regents and constitutes a valid and binding obligation of the Regents enforceable upon the Regents.
- 2. The Resolution creates a valid lien on the amounts pledged thereunder for the security of the Series 2007 Bonds.
- 3. The Series 2007 Bonds are valid and binding limited obligations of the Regents, payable solely from the Pledged Revenues and other amounts pledged therefor under the Resolution.
- 4. Based on an analysis of currently existing laws, regulations, decisions and interpretations, interest on the Series 2007 Bonds is excludable from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations, but such interest is included in earnings and profits in computing the federal alternative minimum tax imposed on certain corporations.
  - 5. Interest on the Series 2007 Bonds is exempt from State of Idaho income taxes.

In rendering our opinion, we wish to advise you that:

- (i) The rights of the Owners of the Series 2007 Bonds and the enforceability thereof and of the Resolution may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases;
- (ii) We express no opinion herein as to the accuracy, adequacy, or completeness of the Official Statement or any other offering material relating to the Series 2007 Bonds; and
- (iii) Although we have rendered an opinion that interest on the Series 2007 Bonds is excludable from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2007

DMWEST #6551283 v3 2

Bonds may otherwise affect a Bondholder's tax liability. The nature and extent of these other tax consequences will depend upon the Bondholder's particular tax status and the Bondholder's other items of income or deduction. We express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2007 Bonds.

Respectfully submitted,

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#### ATTACHMENT 10b BSAI Draft: 8/29/07

[Skinner Fawcett Letterhead]	[Ballard Spahr Letterhead]
_	
Regents of the University of Idaho Moscow, Idaho	
George K. Baum & Company Denver, Colorado	
	Regents of the University of Idaho, Adjustable Rate efunding Bonds, Series 2007A and Adjustable Rate ands, Series 2007B
Purchase Agreement (the "Purchase George K. Baum & Company (the Idaho (the "Regents"), which Puunderwriter of \$ aggreement General Revenue Refunding Bonds \$ aggregate principal as Series 2007B Bonds (the "Series Bonds, the "Series 2007 Bonds").	ered to you pursuant to Section of the Bond ase Agreement") dated, 2007 between "Underwriter"), and the Regents of the University of archase Agreement relates to the purchase by the egate principal amount of the Regents Adjustable Rate ds, Series 2007A (the "Series 2007A Bonds") and mount of its Adjustable Rate General Revenue Bonds, 2007B Bonds" and together with the Series 2007A Capitalized terms which are used herein but which are the meanings assigned to them in the Purchase
of the Series 2007 Bonds and, in the Purchase Agreement, the Resolution respect to the Series 2007 Bonds. We have also examined the original	als or copies, certified or otherwise identified to our ats, records and other instruments as we have deemed
On the basis of such examinunder currently existing law as follows:	nation, we are of the opinion as of the date hereof and ows:

1. The Purchase Agreement has been duly authorized, executed and delivered by the University.

- 2. The Series 2007 Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Resolution is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.
- 3. The statements contained in the Official Statement under the captions ["INTRODUCTION—Authority for Issuance;—Terms of the Series 2007 Bonds; Payment and Security for the Series 2007 Bonds," "THE SERIES 2007 BONDS," "SECURITY FOR THE SERIES 2007 BONDS—Pledged Revenues, —Covenants" "— No Debt Service Reserve Account for the Series 2007 Bonds;" "—Consent to Amendments" and "TAX EXEMPTION," and in APPENDIX C, APPENDIX D and APPENDIX H] to the Official Statement insofar as the statements contained under such captions purport to summarize and/or extract certain provisions of the Series 2007 Bonds, the Resolution and our opinion with respect to the tax-exempt status of interest on the Series 2007 Bonds, present an accurate summary and/or extract of such provisions in all material respects.

Because the primary purpose of our professional engagement was not to establish factual matters and because of the wholly or partially nonlegal character of many determinations involved in the preparation of the Official Statement, except with regards to the matters contained in Paragraph 3 above, we are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of any of the statements contained in the Official Statement and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. However, in our capacity as co-bond counsel, during the course of preparation of the Official Statement, we met in conferences with representatives of and counsel to the Regents and the University, your representatives and counsel, and others, during which conferences the contents of the Official Statement and related matters were discussed. Based on our participation in the above-mentioned conferences, and in reliance thereon and on the certificates and other documents herein mentioned, we advise you that no information came to the attention of the attorneys in our firm rendering legal services in such connection which caused them to believe that Official Statement as of its date and as of the date of this letter contained or contains any untrue statement of a material fact or omitted or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except that no opinion or belief is expressed herein as to financial statements, financial, economic demographic or statistical data, forecasts, charts, estimates, projections, assumptions, expressions of opinion, any information about bookentry and The Depository Trust Company, Financial Security Assurance Inc., its municipal bond insurance policy, Dexia Credit Local or the Standby Bond Purchase Agreement and information contained in Appendix A, Appendix E, Appendix F, Appendix G-1 and Appendix G-2 to the Official Statement).

We have on this day rendered our approving opinion as Co-Bond Counsel to the Regents with respect to the Series 2007 Bonds. You are entitled to rely on such opinion as if it were addressed to you.

This letter is furnished by us as co-bond counsel to the Regents. No attorney-client relationship has existed or exists between our firm and you in connection with the Series 2007 Bonds or by virtue of this letter. We disclaim any obligation to update this letter. This letter is delivered to you solely for your benefit and may not be relied upon by any other persons. This letter is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to, and may not, be relied upon by the owners of the Series 2007 Bonds or by any party to whom it is not addressed.

Respectfully submitted,

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Global Credit Research New Issue 30 AUG 2007

New Issue: University of Idaho

MOODY'S ASSIGNS A1 UNDERLYING RATING TO UNIVERSITY OF IDAHO'S \$96.3 MILLION OF ADJUSTABLE RATE GENERAL REVENUE BONDS, SERIES 2007A AND 2007B; OUTLOOK IS STABLE

#### UNIVERSITY WILL HAVE \$161.4 MILLION OF RATED DEBT OUTSTANDING

Regents of the University of Idaho Higher Education ID

#### Moody's Rating

ISSUE

UNDERLYING RATING

Adjustable Rate General Revenue Bonds, Series 2007A

Al Aaa<sup>1</sup>

Sale Amount \$35,345,000

**Sale Amount** \$35,345,000 **Expected Sale Date** 10/18/07

Rating Description Public University Revenue Bonds

Adjustable Rate General Revenue Bonds, Series 2007B A1 Aaa

Sale Amount \$60,940,000 Expected Sale Date 10/18/07

Rating Description Public University Revenue Bonds

Moody's Outlook Stable

#### **Opinion**

NEW YORK, Aug 30, 2007 -- Moody's Investors Service has assigned an A1 underlying rating to University of Idaho's \$96.3 million of Adjustable Rate General Revenue Bonds, Series 2007A and 2007B. At this time, we are also affirming the A1 underlying rating on the University's outstanding debt (see RATED DEBT at the end of this report). The outlook for the rating is stable. Pending review of the appropriate documentation, the bonds are expected to be assigned a Aaa long-term rating based upon municipal bond insurance. Moody's will continue to maintain the underlying rating.

USE OF PROCEEDS: Series 2007A bond proceeds will advance refund the Series 1999, 1999A, 1999B and 2001 Bonds. Proceeds from the Series 2007B bonds will finance building and infrastructure improvements to create energy savings.

LEGAL SECURITY: The bonds are secured by Pledged Revenues of the University of Idaho which include student fees, auxiliary revenues, facilities and administrative recovery revenues. In addition, there is an additional bonds test and rate covenant of 1.0 time coverage of annual debt requirements. There is no debt service reserve fund.

DEBT STRUCTURE: The Adjustable Rate General Revenue Bonds will be initially issued at a Term Interest Rate with the initial term ending on April 1 of 2011 and 2018 for the Series 2007A and 2007B bonds, respectively. No short-term rating will be assigned because the initial term is greater than three years. The University intends to secure a liquidity facility in the form of a Stand by Bond Purchase Agreement in the event of a failed remarketing.

#### STRENGTHS

<sup>&</sup>lt;sup>1</sup> Bonds are expected to be rated Aaa based on municipal bond insurance

<sup>\*</sup> Position as the land-grant and flagship university in the State of Idaho, with Fall 2006 enrollment of 10,252 full-time equivalents (FTEs) across undergraduate, graduate and professional programs. **BAHR - SECTION II** 

- \* Demonstrated support from Aa2-rated state of Idaho, with state support constituting 40.4% of operating revenue in FY 2006. State support on a per student basis has continued to increase since FY 2003 combined with consistent annual capital support.
- \* Healthy operating performance relative to A1-rated peers, with an annual operating margin of 6.3% in FY 2006 compared to the median of 1.3%. We expect some tightening of performance as the University plans to make strategic investments in programs and personnel.
- \* Continued growth in total financial resources of \$274.8 million, an increase of nearly 13% over the prior year, through successful fundraising, favorable operating performance and investment returns. Unrestricted reserves have also increased from under \$11 million in FY2003 to over \$43 million in FY2006.

#### **CHALLENGES**

- \* Recent enrollment declines (7% decline in full-time equivalent enrollment since fall 2003) due to increased competition and improved economic conditions within the State of Idaho. Management expects enrollment to be flat for fall 2007 relative to the prior year.
- \* Additional identified capital plans to be debt financed likely to further increase leverage over next three to four years before.
- \* Heavy reliance on state funding, leaving the University vulnerable to shortfalls in the event of state funding cuts.

### MARKET/COMPETITIVE STRATEGY: MID-SIZED ENROLLMENT BASE AT LAND-GRANT AND FLAGSHIP PUBLIC UNIVERSITY

The University of Idaho's role as the land-grant and flagship public university for the State of Idaho (Aa2 Issuer Rating) provides the fundamental underpinning for its A1 underlying debt rating. The University also has the primary research mission among the State's public institutions, with moderate research expenditures of nearly \$70 million in FY 2006. The University offers a broad array of undergraduate, graduate, and professional programs, enrolling more than 10,200 full-time equivalent students. The University's main campus is in Moscow, a relatively rural area in the northwest portion of the state. This campus is supplemented by instructional centers in Boise, Coeur d'Alene, and Idaho Falls. In addition, other outreach activities, such as its seven agricultural research and extension centers, give the University a statewide presence.

We expect the University of Idaho to maintain a mid-sized enrollment base, despite a modest decline of 7% since 2003. Management expects another modest decline in enrollment for fall 2007. Pressure on student demand can be attributed to increased competition from other public institutions in neighboring states offering substantial financial aid as well as the State's healthy economy which has led to an increase in high school graduates choosing to work instead of enroll in higher education. In an effort to combat these trends, the University is actively targeting recruitment of out-of-state students and transfer students. Out-of-state enrollment currently represents about 34% of enrollment. We believe that given competitive and demographic challenges in the state, stabilizing enrollment may be challenging and will likely require close management.

### OPERATING PERFORMANCE: FAVORABLE OPERATING PERFORMANCE; HEAVILY RELIANT ON STATE SUPPORT

We believe the University of Idaho will continue to produce balanced to positive operating performance. In fiscal year 2006, the University posted a 6.3% annual operating surplus, including the recognition of depreciation expense, a non-cash expense totaling nearly \$19 million for FY 2006. Operating cash flow provided a solid 4 times coverage of annual debt service responsibilities. However, we anticipate tighter operating performance in the near term as the University makes strategic investments in programs and personnel.

The University derives more than 40% of its revenue from the State, although this is down materially from nearly 48% contribution ratio in FY 2002, as a result of reductions in State support at the beginning of the decade and compensating increases in tuition and fees. Favorably, state funding has increased for the last several years with state appropriations per student increasing to \$11,746 in FY 2006, an increase of 11% over FY 2003. Year over year increases in state appropriations continue, with the University expecting to receive an 8% increase in appropriations in FY 2008 over the prior fiscal year. The University's heavy reliance on state support leaves it vulnerable to shortfalls in the event of state funding cuts.

Moody's maintains an Aa2 issuer rating for the State of Idaho, with a stable outlook. Idaho's issuer rating reflects the state's strong financial management, expanding economy, well-managed financial operations, and modest state debt levels. Offsetting these strengths are an above average dependence on the natural resource sector remains, particularly outside of the Boise area; volatile individual and corporate tax receipts;

and lack of certain fiscal planning tools common among highly rated states. For more information, please see Moody's report dated September 20, 2006.

BALANCE SHEET POSITION: GROWING FINANCIAL RESOURCE BASE PROVIDES SUFFICIENT COVERAGE ON DEBT OUTSTANDING AND ANNUAL OPERATIONS

Moody's believes that the University's growing balance sheet should continue to provide a sufficient cushion for debt and operations. Total financial resources at the end of FY 2006 exceeded \$275 million, reflecting a 13% increase over the prior fiscal year. Expendable financial resources totaled \$97 million for FY 2006 and provided 0.6 times coverage of the University's \$165 million of pro-forma debt and 0.33 times coverage of operations.

Moody's anticipates that ongoing fundraising efforts and favorable operating results will continue to boost the University's financial resource base. The University of Idaho is in the planning stages of its next capital campaign. The University's previous campaign, which concluded in 2003, raised \$125 million.

Additional borrowing over the three to four years appears manageable at the current rating level, with an expected additional \$80 million of long-term debt, assuming the University is able to stabilize its enrollment profile and maintain healthy operating cash flow and growing revenues in support of additional debt service requirements. The additional debt financed projects include renovations to residential housing, research infrastructure and academic facilities.

#### **Outlook**

The stable rating outlook for the University of Idaho reflects its fundamental market and operational strengths despite its high leverage and modest enrollment declines. Stabilization of enrollment and continued balanced operational performance are important to maintaining a stable credit profile as the University adds additional debt in coming years.

What could change the rating-UP

Unlikely at this time given recent enrollment declines and additional borrowing plans; Dramatic increase in financial resources to better support debt and operations combined with stabilization of enrollment levels and continued debt service coverage would improve the University's credit strength

What could change the rating-DOWN

Continued enrollment declines; deterioration of balance sheet cushion due to operating deficits or greater borrowing than currently anticipated

KEY INDICATORS (Fall 2006 enrollment and FY 2006 financial statements)

Total Enrollment: 10,252 full-time equivalent students

Total Pro-Forma Direct Debt: \$165.7million

Total Financial Resources: \$274.8 million

Expendable Resources to Pro-Forma Direct Debt: 0.59 times

Expendable Resources to Operations: 0.33 times

Share of Revenues from State Appropriations: 40.4%

State of Idaho Issuer Rating: Aa2, stable outlook

**RATED DEBT** 

Student Fee Revenue Bonds:

Series 1996, 1997B, 1997, 1999, 1999A, 1999B, 1999C, 2001, 2003: A1 underlying, Aaa insured (various insurers)

General Revenue Bonds:

Series 2005A, 2007A, 2007B: A1 underlying, Aaa insured (various insurers)

#### **CONTACTS**

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### RATINGS DIRECT®

August 31, 2007

## University of Idaho; Public Coll/Univ - Unlimited Student Fees

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Outlook

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Demand

**Finances** 

Investments, Endowments, And Fundraising

Contact

1

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Credit Profile			
US\$67.68 mil adj rate gen rev rfdg bnds (University Of			
Long Term Rating	A+/Stable	New .	
US\$38.38 mil adj rate gen rev bnds (University Of Idah	o) ser 2007B due 04/01/2041		
Long Term Rating	A+/Stable	New	
University of Idaho Regents, Idaho			
University of Idaho, Idaho			
Univ of Idaho Regents (Sweet Ave & Univ Campus Imp	Projs) (AMBAC)		
Unenhanced Rating	A+(SPUR)/Stable	Affirmed	
Univ of Idaho Regents (Univ Of Idaho)			
Long Term Rating	A+/Stable	Affirmed	
University of Idaho Regents, Idaho			
University of Idaho, Idaho			
University of Idaho Regents (University of Idaho) adj ra	ate gen rev bnds (University Of Idaho) ser 2007E	due 04/01/2041	
Long Term Rating	A+/Stable	New Rating	

#### Rationale

Standard & Poor's Ratings Services assigned its 'A+' rating to the University of Idaho (UI) Regents' adjustable-rate revenue refunding bonds, series 2007A, and revenue bonds, series 2007B. In addition, Standard & Poor's affirmed its 'A+' underlying rating (SPUR) on the university's outstanding debt. The rating reflects:

- · A lead position in the state funding hierarchy;
- Historical strong financial support from Idaho and stabilized annual-appropriation environment with 5% increases in both fiscals 2006 and 2007; and
- Increasing, although still slightly low, levels of liquidity with unrestricted net assets (UNA) representing 14% of operating expenses and 26% of pro forma debt.

These credit strengths are offset by the investment mismanagement at the university's foundation, resulting in initially negative, although now positive, UNA. Additionally, the university has experienced declines in enrollment, applications, and fundraising, due in part to the foundation's troubles. The university is however, aggressively addressing demand and fundraising concerns.

Proceeds of the series 2007A (\$67.6 million) bonds will refund portions of student fee revenue bonds series 1999, 1999A, 1999B, and 2001. Proceeds of the series 2007B (\$38.4 million) bonds will fund a comprehensive overhaul of the university's utilities infrastructure, steam plant, and central chiller including maintenance, upgrades, and replacement. The university expects to save about \$1.3 million in the first year it is operational (fiscal 2010) and then expects savings to grow about 5% per year. This is the first time that the university is issuing variable-rate debt. The issues are adjustable rate, with series 2007A's initial interest rate period ending in April 2011 and series 2007B's initial interest rate ending in April 2018. Management expects the bonds will be insured by FSA.

This issuance continues the university's process of combining its debt into a single revenue bond system from the student fees and revenues it has previously pledged as security on a stand-alone basis for individual prior issues of its bonds. Covenants were adjusted with required pledged revenues of 1x instead of 1.25x, and a debt service reserve fund was deleted. We look at this pledge as a general obligation of the university due to its breadth. Pledged revenues include a variety of student fees, sales and service revenue, facilities and administration recovery, and other revenues. Pledged revenues were \$108.8 million in fiscal 2006; they increased by about \$2 million in fiscal 2007. Two bond issues have a senior lien on these revenues: the activity center fee system series 1996 (\$4.9 million outstanding) and the student recreation center system series 1999 (\$17 million outstanding). Combined, debt service on these two issues was \$2.7 million in fiscals 2006 and 2007. These liens are closed.

Post-issuance UI's outstanding debt will be approximately \$165.4 million, yielding a debt burden of approximately 4.4%, average for the rating category. Maximum annual debt service will be \$13.5 million in 2009. UI plans to issue an additional \$76 million in the next three to four years for housing, arena, and administrative renovations and for research infrastructure. The university plans to use increased student fees (already approved) in part to support future debt.

#### Outlook

The stable outlook anticipates stabilized demand and improved fundraising. It also reflects continued state financial support and the university's further efforts to achieve balanced financial operations. We anticipate that future debt will be matched with additional financial resources.

#### Background

The university was established in 1889, in Moscow, Idaho, as a territorial university and is the state's oldest institution of higher learning. UI is charged with the primary responsibility in the state for advanced research and graduate education. The board of regents of the university is responsible for policy direction, and the members also serve as the Idaho State Board of Education. The university has been slightly reorganized and is composed of 10 colleges: agricultural and life science; art and architecture; business and economics; education; engineering; graduate studies; natural resources; law; letters, arts, and social sciences; and science. In addition to degree programs, the university offers medical training for students in association with the University of Washington. Also, UI has several cooperative programs with Washington State University. A new president started in August 2004, and the majority of the senior staff is new to their current roles.

#### Demand

Enrollment has dropped 13% since fall 2003 due in part to the challenges that the foundation has had and the resulting backlash. Additionally, the university has new competition, with a private two-year university becoming four year. The drop in overall enrollment to 11,408 (a 6.6% decrease from the previous year) was driven by a 16.5% decrease in graduate enrollment (2,281 in fall 2006) in part due to reorganization of the education school and a more competitive research environment. Full-time equivalent enrollment for fall 2005 and 2006 were 11,040 and 10,792 respectively. Fall 2007 enrollment is projected to be on par with 2006. Fall 2006 was also the first year that applications to the university had not increased in at least a decade; they were down slightly by 2.7%.

Management is undertaking new marketing efforts. The number of applications for fall 2007 is projected to be similar to that of fall 2006. UI's selectivity has remained the same since 2001: The university has admitted 80% to 84% of first-year applicants from falls 2001 to 2006; the rate was actually 80% in fall 2006. During the past three years, 46%-47% of admitted students have enrolled. Three-quarters of the students are from Idaho.

#### **Finances**

UI received \$120.4 million in state appropriations for fiscal 2006--a good increase of 5.3% from the prior year. Appropriations for fiscal 2007 are expected to be at the least similar to those of 2006. State appropriations, representing about 38% of revenues, are the university's largest revenue source. Student fees and associated auxiliaries make up another 25%, as do research grants. As a percentage of revenues, appropriations are decreasing slightly while fees and associated auxiliaries are increasing. In the 2007-2008 school year, student fees were raised 5% to a still affordable \$4,410 per year for resident undergraduates. This percentage of increases continues a trend of smaller tuition fee increases.

UI's net assets for fiscal 2006 were \$349.9 million, an increase of more than 10% from the previous year. Of this amount, \$43.3 million was unrestricted, a 4% increase from the previous year. This was equal to 14% of total adjusted operating expenditures (an improvement of 3.4% from two years ago) and 26% of pro forma debt (a 4.5% increase from two years ago). Total adjusted net operating income for UI is about \$3.5 million (including income); depreciation was \$18.8 million in fiscal 2006. Management expects fiscal 2007 results to be similar to those of 2006.

#### Investments, Endowments, And Fundraising

The foundation and its relationship to the university has been restructured. Overall university investments were \$216.9 million at June 30, 2006. Of this, the foundation holds \$125.4 million. UNA of the foundation was newly positive in fiscal 2006, after several years of negative UNA that stemmed from the loan write-off. In fiscal 2007 they are expected to be positive again. In fiscal 2007 overall university investments were \$273.2 million. Investment allocations are shifting slightly with 11% of the previous 66% earmarked for stocks (being reduced to 60% overall) going toward private equities and 6% toward REITs. The private equity target has not yet been met. Additionally, the target is to have a 40% allocation in fixed income.

In 2002 the university concluded a five-year capital campaign of \$100 million, raising \$125 million. An impressive 30% of alumni made donations to the campaign. Annual giving was increasing before the foundation's troubles; it dipped in fiscals 2004 and 2005, but management reports the rate is beginning to pick up again. In 2006, 13.1% of alumni gave to the annual fund.

#### Contact

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Underwriter: Lee White, Executive Vice President, George K. Baum & Company, 800-722-1670

Ratings Detail (As 0) August \$1, 2007)

Ratings Detail (As Of August 31, 2007) (co		
University of Idaho Regents Unenhanced Rating	:A+(SPUR)/Stable	Affirmed
University of Idaho Regents (FGIC) Unenhanced Rating	A+(SPUR)/Stable	Affirmed
Univ of Idaho Regents std fee rev bnds (Elmwood <i>Unenhanced Rating</i>	Apts Acquisition Proj) ser 1999A dtd 02/15/1999 due A+(SPUR)/Stable	e 04/01/2003-2010 2014 2019 2025 Affirmed
Univ of Idaho Regents stud fee rfdg & rev bnds so Unenhanced Rating	or 2003 dtd 01/08/2003 due 04/01/2003-2014 2022 A+(SPUR)/Stable	Affirmed
University of Idaho Regents, Idaho		
University of Idaho, Idaho		0074.4.2.04/04/2041
	adj rate gen rev rfdg bnds (University Of Idaho) ser 20 A+/Stable	New Rating
Long Term Rating	nmons Supplemental Proj) ser 97 dtd 12/1/97 due 4/1	
Univ of loand negents statee tev blas to hiv con Unenhanced Rating	A+(SPUR)/Stable	Affirmed
Univ of Idaho Regents stud fee rev bods (Kibble )	& Enrollment Scvs Ctrs Imp Proj) ser 1999D dtd 12/01	/1999 due 04/01/2024 2026
Unenhanced Rating	A+(SPUR)/Stable	Affirmed
	fras & Fac Imp Projs) ser 1999C dtd 12/01/1999 due C	04/01/2001-2005 2014 2019
Unenhanced Rating	A+(SPUR)/Stable	Affirmed
Univ of Idaho Regents (Univ of Idaho) (Recreation		얼마 전에 됐는 것이다. 생각하다
Unenhanced Rating	A+(SPUR)/Stable	Affirmed Affirmed
Many issues are enhanced by bond insurance.		

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Standard & Poor's RatingsDirect | August 31, 2007

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#### REFERENCE - APPLICABLE STATUTE. RULE OR POLICY

Idaho State Board of Education
GOVERNING POLICIES AND PROCEDURES

**SECTION: V. FINANCIAL AFFAIRS** 

**Subsection: F. Bonds and Other Indebtedness** 

April 2002

#### F. Bonds and Other Indebtedness

#### 1. General Powers

The University of Idaho, Idaho State University, Lewis-Clark State College, and Boise State University may, by a majority vote of all the members of the Board, borrow money with or without the issuance of bonds pursuant to Chapter 38, Title 33, Idaho Code. The Board must act by formal resolution. Such indebtedness is not an obligation of the state of Idaho but is an obligation solely of the respective institutions and the respective board of trustees. Any indebtedness is to be used to acquire a project, facility, or other asset that may be required by or be convenient for the purposes of the institution. Student fees, rentals, charges for the use of the projected facility, or other revenue may be pledged or otherwise encumbered to pay the indebtedness. Refunding bonds also may be issued.

Eastern Idaho Technical College is not authorized to borrow money under Chapter 38, Title 33, Idaho Code.

#### 2. Attorney General's Opinion

The Board or the institution may request the Attorney General of Idaho to review and pass upon the validity of a proposed bond issue. If found valid, the bond is an incontestable, binding obligation on the institution.

#### 3. Private Sale

A private sale of bonds is permitted only with the prior approval of the Board as the governing body of the institution. The chief executive officer of the institution must justify why a public sale is not desirable and explain the benefits of a private sale of bonds.

#### 4. Responsibility of the Chief Executive Officer

The chief executive officer of the institution is responsible for compliance with state law and these provisions when any indebtedness is incurred.

#### 5. Expenditure of Excess Revenue

Expenditure of project revenues over and above that pledged or otherwise encumbered to meet the indebtedness is limited to expenditures for projects identified in the bond's Official Statement. Expenditure of excess revenue for other projects requires prior Board approval. Expenditures between two hundred fifty thousand dollars (\$250,000) and five hundred thousand dollars (\$500,000) require prior approval from the executive director and expenditures greater than five hundred thousand dollars (\$500,000) require prior Board approval.

#### REFERENCE - APPLICABLE STATUTE, RULE OR POLICY - continued

# GENERAL LAWS TITLE 33. EDUCATION CHAPTER 38. STATE INSTITUTIONS OF HIGHER EDUCATION BOND ACT Idaho Code § 33-3804 (2006)

§ 33-3804. Powers and duties of state institutions

Every institution shall have power in its proper name as aforesaid:

- (a) To have a corporate seal and alter the same at pleasure;
- (b) To sue and be sued;
- (c) To acquire by purchase, gift or the exercise of the right of eminent domain and hold and dispose of real or personal property or rights or interests therein and water rights;
- (d) To make contracts and to execute all instruments necessary or convenient;
- (e) To acquire any project or projects, and to own, operate, and maintain such project;
- (f) To accept grants of money or materials or property of any kind from a federal agency, upon such terms and conditions as such federal agency may impose;
- (g) To borrow money, with or without the issuance of bonds and to provide for the payment of the same and for the rights of the holders of such bonds and/or of any other instrument of such indebtedness, including the power to fix the maximum rate of interest to be paid thereon and to warrant and indemnify the validity and tax exempt character;
- (h) To perform all acts and do all things necessary or convenient to carry out the powers herein granted, to obtain loans or grants or both from any federal agency, and to accomplish the purposes of *sections 33-3801 -- 33-3813, Idaho Code*, and secure the benefits of the Recovery Act;
- (i) To issue refunding bonds, for the purpose of paying, redeeming, or refunding any outstanding bonds theretofore issued under authority of this chapter. Refunding bonds so issued shall have such details, shall bear such rate or rates of interest and shall be otherwise issued and secured as provided by the board authorizing the issuance of such bonds and as otherwise provided in this chapter, provided, however, that such changes in the security and revenues pledged to the payment thereof may be made by such board as may be provided by it in the proceedings authorizing such bonds, but in no event shall such refunding bonds ever be secured by revenues not authorized by this chapter to be pledged to the payment of bonds issued for other than refunding purposes. Refunding bonds issued hereunder may be exchanged for a like principal amount of the bonds to be refunded, may be sold in the manner provided in this chapter for the sale of other bonds, or may be exchanged in part and sold in part. If sold, the proceeds of such bonds may be deposited in escrow for the payment of the bonds to be refunded, provided such bonds mature or are callable for redemption under their terms within six (6) months from the date of the delivery of the refunding bonds. No refunding bonds may be issued hereunder in a principal amount in excess of the principal amount of the bonds to be refunded nor may any bonds not maturing or callable for redemption under their terms as above provided be refunded hereunder

without the consent of the holders thereof. Refunding bonds so authorized and issued may in the discretion of the board be combined with other bonds to be authorized and issued under this chapter, and a single issue of bonds may be so authorized in part for improvement and in part for refunding purposes.

(j) In connection with borrowing without the issuance of bonds, to fix fees, rents or other charges for utilization of any facility or project being financed by said borrowing and to pledge the same, together with any other revenue from such project or facility, as collateral for repayment of principal and interest in the same manner and to the same extent as provided in this chapter for securing the payment of bonds issued pursuant to this chapter.

### INSTITUTION / AGENCY AGENDA UNIVERSITY OF IDAHO

#### **SUBJECT**

Request approval for an amendment to the March 8, 2002 commercial loan agreement in the amount of \$1,300,000 with Wells Fargo Bank Northwest, N.A. (now Wells Fargo Bank, National Association).

#### REFERENCE

January 21-22, 2002 University of Idaho commercial loan with Wells Fargo

Bank, N.A. for the University of Idaho Post Falls

Facility

#### APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Section V.F.1. Section 33-3804, Idaho Code

#### **BACKGROUND**

A capital project to design and construct a multi-tenant facility at the University of Idaho Post Falls Research Park (UIRP) was originally authorized by the Regents with the FY2000 Capital Improvement Plan. A U.S. Department of Housing and Urban Development grant provided funding for initial construction of the building shell and associated site preparation and infrastructure. In April 2000, approval was received from the Regents to proceed with the second phase of construction to include a 10,000 gross square foot addition to the existing structure, completion of finish work for office and conference spaces, and completion of a portion of the tenant improvements. This phase of work was funded by a grant from the Economic Development Administration. In June 2001, additional authorization was received from the Regents to enable finish work to be completed for the entire building interior in order to meet increased demand for tenant spaces, with the funding source to be debt financing supported by business tenant and research facility rent revenue. In January 2002, authorization was received from the Regents for a commercial loan to fund this final phase of work. The loan was for an amount not to exceed \$1,300,000 at a fixed rate of 4.75%. Repayment of the loan agreement was based on a thirteenyear level payment amortization and required a review at the end of five years, at which time the University of Idaho would be required to repay the remaining balance or to negotiate a new or amended loan agreement to extend repayment past the initial five-year period.

### INSTITUTION / AGENCY AGENDA UNIVERSITY OF IDAHO - continued

#### DISCUSSION

The University of Idaho is now seeking approval for the amendment to the loan originally approved in January 2002 and taken out in March 2002. This amendment will extend the maturity of the existing loan by seven years and establish the interest rate and amortization schedule for the remaining principal balance of \$868,377.80. Final loan documents are being prepared and will be reviewed by staff and in final form prior to the October meeting.

#### **IMPACT**

Repayment of the loan will continue to be made from rental revenues from the facility and other local fund sources. The financing will be at a fixed tax-exempt rate not to exceed 6.2% and will be amortized on the basis of a seven-year level payment amortization beginning October 31, 2007. Principal payments, plus accrued interest, will be made on a quarterly basis on the last days of January, April, July and October through October 31, 2014 when a final payment of the remaining principal balance, plus accrued interest, will be paid.

#### **ATTACHMENTS**

Attachment 1 – Modification of Promissory Note	Page 3
Attachment 2 – Amendment to Loan Agreement	Page 5
Attachment 3 – Authorizing Resolution	Page 7

#### STAFF COMMENTS AND RECOMMENDATIONS

Although the quarterly payment would increase by \$4,753.11, the amended loan would be paid off one year earlier and result in no additional interest paid over the life of the loan.

Staff recommends approval.

#### **BOARD ACTION**

I move that the State Board of Education approve a Resolution of the Board of Regents of the University of Idaho for Modification of Promissory Note and the Amendment to Loan Agreement in substantially the same form as attached to the board materials under this agenda item.

Moved by	Seconded by	Carried Yes	No
•	,		
[Roll call vote req	uired.]		

#### MODIFICATION OF PROMISSORY NOTE

THIS MODIFICATION OF AMENDED AND RESTATED PROMISSORY NOTE (this "Modification") is dated effective as of October 31, 2007, and entered into between THE REGENTS OF THE UNIVERSITY OF IDAHO, a body politic and corporate and an institution of higher education of the State of Idaho (the "Borrower") and WELLS FARGO BANK, NATIONAL ASSOCIATION, formerly Wells Fargo Bank Northwest, N.A., a national banking association organized under the laws of the United States (the "Bank" or "Lender").

#### RECITALS:

**WHEREAS**, the Borrower executed a promissory note dated March 8, 2002 (the "Note"), in favor of the Bank in the original principal amount of \$1,300,000 (the "Note"):

**WHEREAS**, the Borrower has requested that the Bank extend the time for repayment of the Note and the Bank is agreeable to doing so under certain conditions;

**NOW THERFORE**, in consideration of the continuing loan relationship of the parties, the Bank and the Borrower agree as follows:

- 1. The effective date of this Modification is October 31, 2007.
- 2. The Promise to Pay and Payment sections of the Note are amended to read in full as follows:

PROMISE TO PAY. The Regents of the University of Idaho ("Borrower") promises to pay to Wells Fargo Bank, National Association ("Lender"), or order, in lawful money of the United States of America, the principal amount of Eight Hundred Sixty-Eight Thousand Three Hundred Seventy Seven & 80/100 Dollars (\$868,377.80), together with interest on the unpaid principal balance from October 31, 2007, until paid in full.

PAYMENT. Borrower will pay this loan in accordance with the following payment schedule: interest calculated on the unpaid principal balances at an interest rate of% per annum;
quarterly consecutive principal and interest payments of \$ each, beginning
January 31, 2008, with interest calculated on the unpaid principal balances at an interest rate of
% per annum; and one principal and interest payment of \$ on October 31
2014, with interest calculated on the unpaid principal balances at an interest rate of
per annum. This estimated final payment is based on the assumption that all payments will be made
exactly as scheduled; the actual final payment will be for all principal and accrued interest not ye
paid, together with any other unpaid amounts under this Note. Unless otherwise agreed or required
by applicable law, payments will be applied first to accrued unpaid interest, then to principal, and any
remaining amount to any unpaid collection costs. Interest on this Note is computed on a 365/365
simple interest basis; that is, by applying the ratio of the annual interest rate over the number of days
in a year (366 during leap years), multiplied by the outstanding principal balance, multiplied by the
actual number of days the principal balance is outstanding. Borrower will pay Lender at Lender's
address shown above or at such other place as Lender may designate in writing.

- 3. The parties agree that all other terms and conditions of the Note shall remain the same and be unaffected by this Modification.
- 4. Borrower certifies that as of the date of this Modification there exists no Event of Default under the Note, nor any condition, act or event which with the giving of notice or the passage of time or both would constitute any such Event of Default.

#### **ATTACHMENT 1**

IN WITNESS WHEREOF, the undersigned persons have executed this instrument as the authorized representatives of the signers hereto.

THE REGENTS OF THE UNIVERSITY OF IDAHO
By: Title:
WELLS FARGO BANK, NATIONAL ASSOCIATION
By: John P. McCabe, Vice President

### AMENDMENT TO LOAN AGREEMENT

**THIS AMENDMENT TO LOAN AGREEMENT** is dated effective as of the 31st day of October, 2007, and is made between THE REGENTS OF THE UNIVERSITY OF IDAHO (the "Borrower") and WELLS FARGO BANK, NATIONAL ASSOCIATION successor by merger to WELLS FARGO BANK NORTHWEST, N.A. (the "Bank").

### RECITALS:

**WHEREAS,** the parties entered into a Loan Agreement dated March 8, 2002, (the "Loan Agreement"), the terms of which are hereby incorporated by reference as if set forth here in full;

WHEREAS, the parties wish to amend the Loan Agreement as to amount, rate, term and related matters; and

**NOW THEREFORE,** in consideration of the continued loan relationship between the parties, the parties hereby amend the Loan Agreement as follows:

**Section 1.2** shall be amended to read in its entirety as follows:

1.2 <u>Promissory Note</u> . On Ma	· · · · · · · · · · · · · · · · · · ·		,
"Note") to Bank in the principal amount of \$1,300,0	000. The Borrower shall ex	ecute a Modification	ι of the Note
providing for a principal amount of Eight Hundred	Sixty-Eight Thousand Thre	e Hundred Seventy	/ Seven and
80/100 Dollars (\$868,377.80) and a fixed interest ra	ate of	and 10	Oths percent
(%) per annum, in the form attached to thi	s Amendment to Loan Agre	ement as Exhibit A.	Interest will
be payable on the outstanding balance of the k	oan at a fixed rate of	%, pursuant to	Section 1.5
hereunder. The Loan shall be amortized on the ba	sis of a seven (7)-year level	payment amortization	on beginning
October 31, 2007. A principal payment, plus accru	ed interest shall be due on J	lanuary 31, 2008, wi	th amortized
quarterly principal and interest payments due there	eafter on the last days of Ja	anuary, April, July, a	and October,
until October 31, 2014, when the remaining bala	nce of the Loan, plus acc	rued interest, shall	be due and
payable. The Note is issued under the provision	s of Title 33, chapter 38,	Idaho Code, for the	purpose of
financing the Project, and for the payment of expens	ses properly incident thereto	and to the issuance	of the Note.
The principal of and interest on the Note are payable	e solely from the sources ide	entified in the Note.	
	-		

The Note is an obligation of the Borrower payable solely in accordance with the terms hereof and thereof and is not an obligation, general, special, or otherwise, of the State of Idaho, does not constitute a debt, legal, moral, or otherwise, of the State of Idaho, and is not enforceable against the State; nor shall payment hereof be enforceable out of any funds of the Borrower other than rental income and other revenues, fees, charges, and other monies legally available therefor.

**Section 1.3** shall be amended to read in its entirety as follows:

1.3	<u>Method of Making Loan.</u>	The loan has been fully	' aisbursea ana fundea.

**Section 1.5** shall be amended to read in its entirety as follows:

1.4	Interest Rate.	The interes	st rate on	the Note is		and		
hundredths percent (	%) per annu	m. Interest	t on the ou	tstanding ba	lance shall	be calculate	ed on the bas	is
of a three hundred sixty	-five/three hundre	ed sixty-six	(365/366)	day year for	the actual r	number of d	avs elapsed.	

Section 1.6 shall be amended to read in its entirety as follows:

**1.6 Term.** The Note of the Borrower shall mature October 31, 2014.

BAHR – SECTION II TAB 4 Page 5

In all other respects, the Loan Agreement as previously amended and as amended hereby shall remain in full force and effect. This Amendment and the Loan Agreement shall be read together, as one document.

Borrower hereby remakes all representations and warranties contained in the Loan Agreement and reaffirms all covenants set forth therein. Borrower further certifies that as of the date of this Amendment there exists no Event of Default as defined in the Loan Agreement, nor any condition, act or event which with the giving of notice or the passage of time or both would constitute any such Event of Default.

**IN WITNESS WHEREOF**, the parties have hereto set their hands the day and year first above written.

BORROWER:	LENDER:
THE REGENTS OF THE UNIVERSITY OF IDAHO	WELLS FARGO BANK, NATIONAL ASSOCIATION
By TITLE Bursar	By John P. McCabe, Vice President

BAHR – SECTION II TAB 4 Page 6

# AUTHORIZING RESOLUTION OF THE BOARD OF REGENTS OF THE UNIVERSITY OF IDAHO

A RESOLUTION OF THE BOARD OF REGENTS OF THE UNIVERSITY OF IDAHO, AUTHORIZING THE EXECUTION AND DELIVERY OF AN AMENDMENT TO A LOAN AGREEMENT AND MODIFICATION OF PROMISSORY NOTE WITH WELLS FARGO BANK, NATIONAL ASSOCIATION AND RELATED DOCUMENTS WITH RESPECT TO CERTAIN RESEARCH PARK FACILITIES IN POST FALLS, IDAHO; AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS REQUIRED IN CONNECTION THEREWITH; AND AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION.

WHEREAS, THE BOARD OF REGENTS OF THE UNIVERSITY OF IDAHO (the "University"), a body politic and corporate and institution of higher education duly organized, existing and authorized by the Constitution and laws of the State of Idaho, to borrow money and issue notes or bonds to finance the construction and acquisition of University research facilities in Post Falls, Idaho (the "Project"); and

WHEREAS, on March 8, 2002, the University entered into a Loan Agreement (the "Agreement") and Promissory Note (the "Note") in the amount of \$1,300,000 with Wells Fargo Bank Northwest, N.A., now Wells Fargo Bank, National Association (the "Bank"), evidencing a loan (the "Loan") for the Project;

WHEREAS, the University desires to refinance and extend the maturity of said Loan for the Project; and

WHEREAS, in order to extend the maturity of the Loan on certain conditions, the University proposes to enter into that certain Amendment to Loan Agreement, Modification of Promissory Note and related documents with the Bank (the "Financing Documents"), the form of which have been presented to the Board of Regents at this meeting, with an outstanding principal amount of not more than \$868,400 and an interest rate not to exceed 6.20% per annum; and

WHEREAS, the Board of Regents of the University deems it for the benefit of the University and for the efficient and effective administration thereof to enter into the Financing Documents on the terms and conditions therein provided;

NOW, THEREFORE, BE IT AND IT IS HEREBY RESOLVED BY THE BOARD OF REGENTS OF THE UNIVERSITY OF IDAHO as follows:

Section 1. Approval of Documents.

The form, terms and provisions of the Financing Documents are hereby approved in substantially the forms presented at this meeting; and the Bursar of the University is hereby authorized and directed to execute the Financing Documents and to deliver the Financing Documents to the respective parties thereto.

### Section 2. Other Actions Authorized.

The officers and employees of the University shall take all action necessary or reasonably required by the parties to the Agreement and all related documents to carry out, give effect to and consummate the transactions contemplated thereby and to take all action necessary in conformity therewith, including, without limitation, the execution and delivery of any closing and other documents required to be delivered in connection with the Agreement.

### Section 3. Severability.

If any section, paragraph, clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

### Section 4. Repealer.

All bylaws, orders and resolutions or parts thereof, inconsistent herewith, are hereby repealed to the extent only of such inconsistency. This repealer shall not be construed as reviving any bylaw, order, resolution or ordinance or part thereof.

### **Section 5. Effective Date.**

This Resolution shall be effective immediately upon its approval and adoption.

ADOPTED AND APPROVED by the BOARD OF REGENTS OF THE UNIVERSITY OF IDAHO this 11th day of October, 2007.

# THE REGENTS OF THE UNIVERSITY OF IDAHO

	Ву:
	Printed Name:
	Title: President, State Board of Education and Board of Regents of the University of Idaho
	By: Name:
	Title: Bursar
ATTEST:	
Ву:	
Printed Name:	
Title: Secretary of The Board	

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### REFERENCE - APPLICABLE STATUTE, RULE OR POLICY

Idaho State Board of Education
GOVERNING POLICIES AND PROCEDURES

**SECTION: V. FINANCIAL AFFAIRS** 

Subsection: F. Bonds and Other Indebtedness

April 2002

#### F. Bonds and Other Indebtedness

### 1. General Powers

The University of Idaho, Idaho State University, Lewis-Clark State College, and Boise State University may, by a majority vote of all the members of the Board, borrow money with or without the issuance of bonds pursuant to Chapter 38, Title 33, Idaho Code. The Board must act by formal resolution. Such indebtedness is not an obligation of the state of Idaho but is an obligation solely of the respective institutions and the respective board of trustees. Any indebtedness is to be used to acquire a project, facility, or other asset that may be required by or be convenient for the purposes of the institution. Student fees, rentals, charges for the use of the projected facility, or other revenue may be pledged or otherwise encumbered to pay the indebtedness. Refunding bonds also may be issued.

Eastern Idaho Technical College is not authorized to borrow money under Chapter 38, Title 33, Idaho Code.

### REFERENCE – APPLICABLE STATUTE, RULE OR POLICY

#### Idaho Statutes

TITLE 33
EDUCATION
CHAPTER 38
STATE INSTITUTIONS OF HIGHER EDUCATION BOND ACT

33-3804. POWERS AND DUTIES OF STATE INSTITUTIONS.

Every institution shall have power in its proper name as aforesaid:

- (a) To have a corporate seal and alter the same at pleasure;
- (b) To sue and be sued;
- (c) To acquire by purchase, gift or the exercise of the right of eminent domain and hold and dispose of real or personal property or rights or interests therein and water rights;
- (d) To make contracts and to execute all instruments necessary or convenient;
- (e) To acquire any project or projects, and to own, operate, and maintain such project;
- (f) To accept grants of money or materials or property of any kind from a federal agency, upon such terms and conditions as such federal agency may impose;
- (g) To borrow money, with or without the issuance of bonds and to provide for the payment of the same and for the rights of the holders of such bonds and/or of any other instrument of such indebtedness, including the power to fix the maximum rate of interest to be paid thereon and to warrant and indemnify the validity and tax exempt character;
- (h) To perform all acts and do all things necessary or convenient to carry out the powers herein granted, to obtain loans or grants or both from any federal agency, and to accomplish the purposes of sections 33-3801--33-3813, Idaho Code, and secure the benefits of the Recovery Act;
- (i) To issue refunding bonds, for the purpose of paying, redeeming, or refunding any outstanding bonds theretofore issued under authority of this chapter. Refunding bonds so issued shall have such details, shall bear such rate or rates of interest and shall be otherwise issued and secured as provided by the board authorizing the issuance of such bonds and as otherwise provided in this chapter, provided, however, that such changes in the security and revenues pledged to the payment thereof may be made by such board as may be provided by it in the proceedings authorizing such bonds, but in no event shall such refunding bonds ever be secured by revenues not authorized by this chapter to be pledged to the payment of bonds issued for other than refunding purposes. Refunding bonds issued hereunder may be exchanged for a like principal amount of the bonds to be refunded, may be sold in the manner provided in this chapter for the sale of other bonds, or may be exchanged in part and sold in part. If sold, the proceeds of such bonds may be deposited in escrow for the payment of the bonds to be refunded, provided such bonds mature or are callable for redemption under their

terms within six (6) months from the date of the delivery of the refunding bonds. No refunding bonds may be issued hereunder in a principal amount in excess of the principal amount of the bonds to be refunded nor may any bonds not maturing or callable for redemption under their terms as above provided be refunded hereunder without the consent of the holders thereof. Refunding bonds so authorized and issued may in the discretion of the board be combined with other bonds to be authorized and issued under this chapter, and a single issue of bonds may be so authorized in part for improvement and in part for refunding purposes.

(j) In connection with borrowing without the issuance of bonds, to fix fees, rents or other charges for utilization of any facility or project being financed by said borrowing and to pledge the same, together with any other revenue from such project or facility, as collateral for repayment of principal and interest in the same manner and to the same extent as provided in this chapter for securing the payment of bonds issued pursuant to this chapter.

# INSTITUTION / AGENCY AGENDA UNIVERSITY OF IDAHO

#### SUBJECT

Change the name of Bureau of Public Affairs Research to The James A. and Louise McClure Center for Public Policy Research.

### APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Section I.K.

### **BACKGROUND**

The Bureau of Public Affairs Research was established in 1959 as a unit of the Department of Social Sciences within the College of Letters and Science, University of Idaho. The Bureau currently is an integral part of the Department of Political Science, College of Letters, Arts & Social Sciences. The Bureau provides consulting services for state and local government agencies in Idaho; sponsors forums on public policy topics, and provides logistical support for the James McClure Endowment for the Sciences and Public Policy.

### DISCUSSION

The University of Idaho seeks to re-name the Bureau, The James A. and Louise McClure Center for Public Policy Research in acknowledgement of the many contributions that Senator James McClure and Louise McClure have made to the nation, the state of Idaho, and the University of Idaho and in recognition of the McClures' continuing interest in matters of public policy. During their distinguished public careers, James McClure and Louise McClure have represented Idaho on the national stage, where James McClure served in the United States Congress for 24 years. Their service to the University of Idaho is wide ranging. They have been inveterate boosters and contributors, they have served on the Lionel Hampton International Jazz Festival Advisory Board, the College of Law Advisory Board, the University of Idaho Foundation, and are members of the College of Letters, Arts & Social Sciences Advancement Council. The James McClure Endowment for the Sciences and Public Policy (established in 2001) provides funds to facilitate the education of University of Idaho students and other citizens of Idaho in decision making around public policy issues that intersect with scientific research. James McClure and Louise McClure have indicated they would be pleased to have this administrative unit named in their honor.

### **IMPACT**

The name change will impose minimal costs, not in excess of \$500, on the University of Idaho.

# INSTITUTION / AGENCY AGENDA UNIVERSITY OF IDAHO - continued

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Attachment 1 – Letter from President Timothy P. White

Page 5

### STAFF COMMENTS AND RECOMMENDATIONS

Staff recommends approval.

### **BOARD ACTION**

A motion to approve the request by the University of Idaho to change the name of the Bureau of Public Affairs Research, to The James A. and Louise McClure Center for Public Policy Research.

Moved by \_\_\_\_\_ Seconded by \_\_\_\_ Carried Yes \_\_\_\_ No \_\_\_\_

### **ATTACHMENT 1**



#### Office of the President

Administration Building, Suite 105 PO Box 443151 Moscow, ID 83844–3151

> Phone: 208-885-6365 Fax: 208-885-6558 timwhite@uidaho.edu

September 10, 2007

The Idaho State Board of Education and Board of Regents of the University of Idaho P.O. Box 83720 Boise, ID 83720-0037

Dear Regents:

The University of Idaho seeks to change the name of the Bureau of Public Affairs Research (BPAR), a unit within the College of Letters, Arts & Social Sciences, to the James A. and Louise McClure Center for Public Policy Research.

The Bureau was established in 1959 and currently sponsors faculty research projects, forums on public policy topics, and consulting services for various public entities. The Bureau also provides logistical support for the lectures conducted under the auspices of the James A. McClure Endowment for the Sciences and Public Policy.

During their exemplary public careers, Jim and Louise McClure have represented Idaho in the nation's capital—where Jim served in the United States Congress for 24 years—and throughout the United States and in many other parts of the world. Senator McClure has a longstanding interest in issues of public policy, as evidenced through the establishment of the James McClure Endowment for the Sciences and Public Policy (established in 2001).

The McClures are tireless in their efforts to support University of Idaho programs. Jim served on the College of Law Advisory Board and both Jim and Louise are members of the University of Idaho Foundation, the Lionel Hampton International Jazz Festival Advisory Board, and the College of Letters, Arts & Social Sciences Advancement Council.

In recognition of their significant contributions, it is appropriate to honor James McClure and Louise McClure. I enthusiastically endorse changing the name of the BPAR to the James A. and Louise McClure Center for Public Policy for this reason. Senator McClure and Louise McClure have indicated that they would be pleased to have this administrative unit named in their honor.

Sincerely,

Timothy P. White

President

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### REFERENCE – APPLICABLE STATUTE, RULE OR POLICY

Idaho State Board of Education
GOVERNING POLICIES AND PROCEDURES

SECTION: I. GENERAL GOVERNING POLICIES AND PROCEDURES

SUBSECTION: K. Naming/Memorializing Building and Facilities April 2002

### K. Naming/Memorializing Buildings and Facilities

Prior approval of the State Board of Education is required for the naming or memorializing of a building or administrative unit for other than functional use. This policy also includes the naming of facilities.

As used in this policy, the terms "facility" and "facilities" include any building, structure, room, laboratory, administrative unit, open space, or other physical improvement or natural feature of a campus or of other property under the administrative control of the State Board of Education.

- 2. The Board will consider the following factors in addressing requests for naming of a building, facility, or administrative unit.
  - A. Naming for an administrator, member of the faculty or employee of a unit responsible to the State Board of Education:
    - 1. No building, facility, or administrative unit shall be named for a person currently employed within the system of higher education in Idaho, except when authorized by the Board.
    - 2. Memorialization of a building, facility, or administrative unit for a former employee retired or deceased shall be considered on the basis of the employee's service to education in the state of Idaho. Significant factors will include, but shall not be limited to:
      - Recommendation of the chief executive officer of the institution and the recommendation of the institutional community.
      - b. Contributions rendered to the academic area to which the building, facility, or administrative unit is primarily devoted.
  - B. Naming of a building, facility, or administrative unit for other than a former employee of the system of higher education will be considered by the Board in accordance with 1.a. Additionally, the following shall apply:
    - When deemed appropriate, a facility, building, or administrative unit may be given a nonfunctional name intended to honor and memorialize a specific individual who has made a distinguished contribution to the University.
    - 2. Name for an individual in recognition of a gift.
      - a. No commitment for naming shall be made to a prospective donor of a gift prior to Board approval of the proposed name.

- b. In reviewing requests for approval to name a facility, building, or administrative unit for a donor, the Board shall consider:
  - i. The nature of the proposed gift and its significance to the institution;
  - ii. The eminence of the individual whose name is proposed; and
  - iii. The individual's relationship to the institution.
- 3. The Board exclusively has authority to name administrative units, buildings, and facilities of a campus or of other property under the administrative control of the State Board of Education and Regents of the University of Idaho.
- 4. The Board delegates to the presidents the authority to name rooms and open spaces located within buildings or structures.
  - A. The presidents shall follow the same guidelines for naming as set forth in this policy.
  - B. All such names designated by the presidents shall be reported annually in August to the Board.

All requests for naming outside the presidents' delegated authority, and all delegated naming authority reporting, shall be made to the Board's Business Affairs and Human Resources Committee. When applicable, concurrent request shall be made to the Board's Instruction, Research and Student Affairs Committee.

## INSTITUTION / AGENCY AGENDA UNIVERSITY OF IDAHO

#### **SUBJECT**

A request to establish an independent trust to fund future liability for retiree health benefits.

### APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Section V.C.1.d.

#### **BACKGROUND**

The Retiree Health Benefits trust is being established to fund the obligation of post-employment (retiree) health benefits as required by the Government Accounting Standards (GASB) 45.

As of July 1, 2007, GASB 45 requires disclosing the amount of post-employment benefits liability on financial statements. The liability must be recorded and funded, or the amortized value may be recorded annually, plus interest on any unfunded amount. GASB 45 refers to the amortized value as the annual required contribution or ARC. Because of the interest accumulation on any part of the liability associated with ARC that is unfunded, the requirements of GASB 45 create a clear financial incentive to fund the amortized value of this liability each year.

GASB 45 requires funding to be specifically established for the sole purpose of funding the retiree health or obligations of post-employment benefits. Using a trust to hold the GASB 45 liability ensures that the use of the funds will be limited to the single purpose of the trust. Establishing the trust and funding the full ARC each year also will allow the University to leverage the best discount rates available in offsets to the liability. Funds held in trust for this purpose can be directed to longer term investments resulting in a greater return as compared to assets invested for our general operating budget.

The University previously has discussed with the Board the work of the Retiree Task Force, which researched and submitted recommendations for dealing with rising retiree health care costs and recognition of the GASB 45 liability. The recommendations of the Retiree Task Force as adopted have created a plan to presently sustain the program. Funding of the ARC through a trust along with changes in eligibility, retiree life insurance, retiree cost sharing, and integration of prescription drug coverage with Medicare were key factors in reducing the ARC from \$13.6M based on actuarial valuation conducted in 2005 to \$7.7 for FY08.

## INSTITUTION / AGENCY AGENDA UNIVERSITY OF IDAHO - continued

#### DISCUSSION

The trust is being established for the exclusive purpose of holding and investing assets to cover future liability for health and welfare benefits for retired employees of the University, and including reasonable administrative expenses. The assets in the trust, and the income thereon, are necessary for the exercise of the essential governmental function of funding health and welfare benefits for retired employees of the University, accordingly the trust is intended to be exempt from federal income taxation under Code Section 115.

The trust agreement is drafted to establish a trust with a single trustee, who will be an employee. The trustee will be responsible for investing the trust assets as directed by the University/Trustor (or an investment manager appointed by the trustor). The trustee shall be covered by a bond or equivalent crime insurance policy.

The trust primarily shall serve as a holding trust, responsible for maintaining and investing the ARC as funded by the University. Payments out of the trust for the purpose of covering the cost of retiree health benefits shall be made to the University of Idaho Health Benefits Trust, which is the trust established by the University for its self-funded health benefits plan. The only other payments authorized by the trust are for administrative expenses of the trust. And in no way shall any part of the principal or income of the Trust be paid to or revested in the University or be used other than for the exclusive purposes set out in the trust agreement.

### **IMPACT**

The current actuarial valuation of the University's ARC for fiscal year 08 is \$7.7 million. The \$7.7M ARC includes the pay-as-you go expenses that are covered in part by retiree contributions and paid through the self-funded and insured costs of retiree medical, dental and life insurance benefits. For FY08 the retiree pay-as-go expenses are estimated at approximately \$3,463,000. Funds intended for payment of current benefits shall be directed towards the University of Idaho Health Benefits Trust for payment under the University's benefits plan. The remaining \$4,237,000 of the \$7.7M ARC are funds that will be placed in and remain in the Retiree Benefits Trust and accumulate from year to year to cover the cost of the future liability. These funds may be used to cover retiree benefits liabilities in the future as the retiree population grows.

## INSTITUTION / AGENCY AGENDA UNIVERSITY OF IDAHO - continued

The liability, ARC and all other actuarial assumptions are updated annually and subject to audit and concurrence by an independent accounting firm. Due to the increasing cost of health care, and the length of service and age of the University of Idaho workforce, the ARC is expected to grow each year. However, the eligibility criteria and other factors of the retiree health program have been designed to help manage increases to the ARC.

### **ATTACHMENTS**

Attachment 1 – University of Idaho Retiree Benefits Trust

Page 5

#### STAFF COMMENTS AND RECOMMENDATIONS

The actuarial calculations were provided by the University's health benefits consulting firm. The actuarial assumptions will be audited at the end of 2008. The University provided its estimate for 2007 in the notes to the 2006 audited financial statements.

Staff recommends approval.

#### **BOARD ACTION**

A motion to approve the request by the University of Idaho to enter into the University of Idaho Retiree Benefits Trust in substantially the same form as the draft attached hereto, and to continually authorize the University of Idaho to transfer University funds to the Trust in a manner consistent with the Trust Agreement.

Moved by	Seconded by	Carried Yes	No
<del> </del>	· · · · · · · · · · · · · · · · ·		

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## UNIVERSITY OF IDAHO RETIREE BENEFITS TRUST

TRUST AGREEMENT

**Effective \_\_\_\_\_\_, 2007** 

## **ATTACHMENT 1**

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# UNIVERSITY OF IDAHO RETIREE HEALTH AND WELFARE PLAN TRUST

### TRUST AGREEMENT

<b>Effective</b>	, 2007
Effective	, 2007

### PARTIES

THIS TRUST AGREEMENT is effective as of	, 2007, by and
between the Board of Regents of the University of Idaho, a public corporation	, state educational
institution, and a body politic and corporate organized and existing under the G	Constitution and
laws of the state of Idaho, hereinafter referred to as the "Trustor," and the under	ersigned trustee,
hereinafter referred to as the "Trustee."	

### RECITALS

The Trustor desires to adopt the University of Idaho Retiree Benefits Trust (the "Trust"), to hold certain assets that will be used to pay the cost of future liability for retiree health and welfare benefits and associated administrative expenses.

### ADOPTION

In consideration of the mutual covenants contained herein, the Trustor and the Trustee hereby covenant and agree that the University of Idaho Retiree Benefits Trust is hereby adopted to read in its entirety as set forth herein as of the above stated effective date.

#### **TRUST**

- **1.1 Exclusive Purpose.** The assets of this Trust shall be held and invested for the exclusive purpose of covering future liability for health and welfare benefits to retired employees of the Trustor, including reasonable administrative expenses.
  - **1.2 Effective Date.** The initial effective date of this Trust as set forth above.
- 1.3 <u>Trust Year</u>. The initial accounting year of the Trust shall begin \_\_\_\_\_\_, 2007, and end December 31, 2007. Commencing January 1, 2008, the accounting year of the Trust shall be the calendar year.

### 1.4 <u>Federal Law.</u>

- (a) <u>Internal Revenue Code</u>. The assets in this Trust, and the income thereon, are necessary for the exercise of the essential governmental function of funding health and welfare benefits for retired employees of the Trustor. Accordingly, this Trust is intended to be exempt from federal income taxation under Code Section 115.
- **(b) ERISA.** The Plan is a governmental plan within the meaning of Section 3(32) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the Plan and this Trust are therefore exempt from regulation under ERISA.

### 1.5 Definitions.

- (a) <u>Code.</u> The Internal Revenue Code of 1986, as amended, and successor Codes thereto.
- **(b)** Plan. The Plan is the group health plan as set forth in the Plan document(s) adopted by the Trustor for the provision of retiree health and welfare benefits, and as further defined in the University of Idaho Health Benefits Trust, effective June 27, 2007.
  - (c) <u>Trust</u>. The Trust funding vehicle established by this Trust Agreement.
- (d) <u>Trust Agreement</u>. The trust agreement, as set forth herein and as subsequently amended.
- (e) <u>Trust Fund.</u> The trust estate of the Trust, including any income from investments, and any other property received and held by the Trustee for uses, purposes, and trusts set forth in this Trust Agreement.
- (f) <u>Trustee</u>. The person, committee, or entity appointed by the Trustor to serve as Trustee hereunder, and any successors to the original Trustee.
  - (g) <u>Trustor</u>. The Board of Regents of the University of Idaho.

### TRUST FUND

**2.1** <u>Pooling of Funds; Payments from Trust Fund</u>. The Trustee shall pool the Trust assets for investment.

The Trustee shall make payments from the Trust Fund as needed to fund liability for Trustor retirees' Plan benefits and for reasonable expenses of administering the Trust. The Trustee shall rely wholly on the direction of the Trustor in paying expenses of the Trust and in making payments for Trustor retirees' Plan benefits. All payments for retirees' Plan benefits shall go to the University of Idaho Health Benefits Trust, a separate trust effective June 27, 2007, or its successor.

#### INVESTMENT AND ADMINISTRATION

- 3.1 <u>Investment Standards</u>. The pooled Trust Fund shall be invested in securities and other property in accordance with applicable law. Subject to this requirement, permissible investments shall include, but not be limited to, the following:
  - (a) Notes, debentures, bonds, or other securities.
  - (b) Commercial paper, savings and loan accounts, certificates of deposit, and savings accounts.
  - (c) Other property of the same or a dissimilar kind to any of those named above.

The funds may be held in cash to the extent considered advisable by the Trustee without liability for interest.

The Trustee may, on general or specific direction from the Trustor, invest any portion of the Trust Funds in an appropriate common or collective trust fund or pooled investment fund.

In acquiring, investing, reinvesting, exchanging, retaining, selling, loaning, and managing the Trust Fund, the Trustee shall exercise the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person, acting in a like capacity, and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims.

### 3.2 Investment Managers.

- (a) <u>Appointment</u>. The Trustor may appoint one or more investment managers for all or part of the Trust assets. Except as provided below, any such manager shall have exclusive responsibility for and control over the investment of the assets for which responsibility is allocated to the manager by the Trustor.
- **(b)** <u>The Trustor's Reservation of Rights</u>. The Trustor may, as to any investment manager, reserve any or all of the following rights:
  - (1) To fix investment objectives and guidelines.
  - (2) To fix permissible investments.
  - (3) To require consultation by the investment manager at regular intervals or with respect to certain kinds of transactions.
  - (4) To receive notification of all transactions before or after consummation.

- (5) To have proposed transactions submitted in advance and not consummated if disapproved by notice given within 15 days after submission.
- (c) <u>Trustee's Authority</u>. The Trustee shall have the exclusive responsibility for and control over the investment of any assets except those for which responsibility is allocated to any investment manager. The Trustee shall have authority to do the following even though assets are being managed by an investment manager:
  - (1) To dispose of fractional shares;
  - (2) To roll over treasury obligations, commercial paper, and similar investments; and
  - (3) To make short term investments in highly liquid low risk interest bearing deposits or securities.
- (d) <u>Effect of Appointment</u>. An investment manager shall act in a fiduciary capacity and the Trustee shall act only as an administrative agent in carrying out directed investment transactions. The Trustee shall have no duty to investigate any transaction and shall not be liable to any person for the transaction. If a transaction violates the duty to diversify, to maintain liquidity, or to meet any other trust standard under this Trust or applicable law, the entire responsibility and liability, if any, shall rest upon the fiduciary giving the direction.
- **(e) Qualification of Investment Manager.** Each investment manager shall verify to the Trustor in writing that the manager:
  - (1) Is a registered investment adviser under the Investment Adviser's Act of 1940, a bank as defined in that Act, or a qualified insurance company;
  - (2) Is bonded for the protection of the Trust in conformity with applicable law; and
  - (3) Acknowledges that the manager is a fiduciary with respect to this Trust.
- **Motification Requirements.** The Trustor shall notify the Trustee of the appointment, removal, or resignation of any investment manager. The Trustee may rely upon the continued authority of an appointed manager until notified of resignation or removal. Each investment manager shall, on request, furnish the Trustee and the Trustor with the names and specimen signatures of persons authorized to act on behalf of the manager.

### 3.3 Powers of Trustee.

- (a) <u>General Authority</u>. The Trustee shall have all necessary powers to discharge the Trustee's duties under this Trust, including, without limitation, the powers to do the following, subject to investment authority allocated to any appointed investment manager:
  - (1) To own and hold all assets and retain and exercise all incidents of

such ownership, subject to the terms of this Trust, either directly or through nominees, with or without disclosing the Trust.

- (2) To deal in any way with any assets through a public or private transaction and to receive all proceeds from the assets.
- (3) As the holder of any security in the Trust Fund, to exercise any right or power to take any action that could be exercised or taken by a beneficial owner holding the security of record.
- **(b)** Cash and Fiduciary Accounts. The Trustee shall retain in cash and keep unproductive of income such amount of the Trust Fund as the Trustee finds necessary or advisable to make payments pursuant to paragraph 2.1 herein. The Trustee is specifically authorized to invest such portion of the Trust Fund in deposits that bear a reasonable interest rate in a bank or similar financial institution supervised by the United States or a state, irrespective of whether such bank is a fiduciary with respect to the Plan.
- (c) <u>Litigation</u>. The Trustee's costs in any litigation relating to the Trust assets shall be an administrative expense of the Trust. The Trustee may decline to commence or respond to any legal action unless the Trustor indemnifies the Trustee to the Trustee's satisfaction for any expense not covered by the Trust Fund. The Trustee may compromise claims on terms approved by the Trustor, which shall be binding on all parties.
- **Employment of Agents; Counsel.** The Trustee may employ agents for assistance and may consult and rely upon the advice of counsel, who may be counsel for the Trustor.
- 3.4 <u>Organization and Operation of Trustee</u>. The Trustee named in or appointed under this agreement shall act by resolution adopted by the Trustee.

The Trustee may delegate and allocate by resolution specific non-investment duties, responsibilities, and obligations for the operation and administration of this Trust which are imposed upon the Trustee by this Trust and applicable law, to one or more persons.

The Trustee may adopt such bylaws and regulations as the Trustee deems desirable for the conduct of the Trustee's affairs.

3.5 Expenses and Fees. The Trustee shall be reimbursed for all expenses and shall be paid reasonable fees approved from time to time by the Trustor, except that no Trustee who already receives full-time or part-time compensation from the Trustor shall receive full-time compensation or duplicative part-time compensation from the Trust Fund, except for reimbursement of expenses properly and actually incurred. The Trustee shall notify the Trustor periodically of expenses and fees and the Trustor may elect to pay them. Otherwise, the expenses and fees shall be charged to the Trust to the extent permitted by applicable law.

### RECORDS; VALUATION; ACCOUNTINGS

**4.1 Records; Additional Information.** The Trustee shall keep complete records of the Trust open to inspection by the Trustor at all reasonable times.

In addition to reports required below, the Trustee shall furnish to the Trustor any information about the Trust Fund that the Trustor requests.

- **4.2 Valuation.** As of each valuation date specified by the Trustor, the Trustee shall value the Trust Fund in accordance with applicable law and report the value to the Trustor.
- **4.3** Accountings. The Trustee shall furnish the Trustor with a complete statement of account annually within 60 days after the end of the Trust Year showing assets and liabilities and income and expenses for the year. The form and content of the account shall be sufficient for the Trustor to comply with reporting and disclosure requirements under applicable law.

The Trustor may object to an accounting within seven months after it is furnished and require that it be settled by audit by a qualified, independent certified public accountant. The auditor shall be chosen by the Trustee from a list of at least five such accountants furnished by the Trustor at the time the audit is requested. Either the Trustor or the Trustee may require that the account be settled by a court of competent jurisdiction, in lieu of or in conjunction with the audit. All expenses of any audit or court proceedings, including reasonable attorneys' fees, shall be allowed as administrative expenses of the Trust.

If the Trustor does not object to an accounting within the time provided, the account shall be settled for the period covered by it.

When an account is settled, it shall be final and binding on all parties, including the Trustor and all participants and persons claiming through them.

### TRUSTEE LIABILITY

- **5.1** <u>Indemnification</u>. The Trustor shall indemnify and defend the Trustee from any claim, loss, liability, or expense arising from any action or inaction in the administration of this Trust, to the extent that such action or inaction was in reliance on information or in response to direction from the Trustor or an investment manager appointed pursuant to 3.2.
- **5.2 Bonding.** The Trustee shall be bonded or have insurance coverage deemed by Trustor to be the equivalent of a fidelity bond for performance of their duties under this Trust to the extent required by applicable law.

#### SUCCESSOR TRUSTEE

**6.1** Resignation and Removal. The Trustee may resign at any time by written notice to the Trustor, which shall be effective in 60 days or an earlier or later date agreed to by the Trustor and the Trustee.

The Trustor may remove the Trustee on 60 days' prior written notice or such shorter written notice accepted by the Trustee.

The Trustor may remove the Trustee immediately for any alleged breach of duty under this Trust Agreement.

**6.2** Appointment of Successor. The Trustor may appoint a successor Trustee to replace a Trustee upon resignation or removal. The Trustor shall appoint a successor Trustee if no other Trustee is then serving.

The appointment shall be effective when accepted in writing by the successor Trustee, who shall have all of the rights and powers of the former Trustee, including ownership rights in the Trust assets. A former Trustee shall execute any instrument necessary or reasonably desired by the Trustor or a successor Trustee to evidence the transfer.

A successor Trustee need not examine the records and acts of any prior Trustee and may retain or dispose of assets in the Trust at the time of the appointment, subject to directions from the Trustor or an investment manager. A successor Trustee shall not be responsible for, and the Trustor shall indemnify and defend the successor Trustee from, any claim or liability because of any action or inaction of any prior Trustee, because of any other prior event or condition or because of any existing assets.

**6.3** Final Accounting; Continuity. If the Trustee resigns or is removed, the Trustee shall submit a final accounting to the Trustor as soon as practicable. The accounting shall be received and settled as provided in 4.3 for regular accountings.

No resignation or removal of any Trustee or change in identity of the Trustee for any reason shall terminate this Trust.

#### AMENDMENT AND TERMINATION

- **7.1** Amendment. The Trustor may amend this Trust at any time by written instrument executed and delivered to the Trustee, with the following limitations:
  - (a) All amendments shall be signed by the Trustee.
  - (b) No amendment shall revest any of the Trust Fund in the Trustor or otherwise modify the Trust so that it would not be for the exclusive benefit of the participants of the Plan and their beneficiaries.

Amendments may be made retroactively to the extent permitted by applicable law and regulations.

**7.2 Termination.** The Trustor may terminate the Plan at any time. If the Trustor terminates the Plan and does not continue the Trust, the Trustee, when so notified, shall promptly make payment of the Trust Funds as directed by the Trustor to the persons having interests. Upon completion of the payments, the Trust shall end.

If the Trustor terminates the Plan and continues the Trust, the Trustee shall continue to administer the Trust unless the Trustor later terminates it. When all appropriate assets have been paid out in the regular course of administration, or by liquidation after a later termination by the Trustor, the Trust shall end.

In no event shall any part of the principal or income of this Trust be paid to or revested in the Trustor or be used other than for the exclusive purpose described in 1.1.

### **GENERAL PROVISIONS**

- **8.1** Applicable Law. This Trust shall be governed by and construed according to the laws of the state of Idaho.
- **8.2** <u>Agreement Binding on All Parties.</u> This agreement shall be binding upon the heirs, executors, administrators, successors, and assigns of any and all present and future parties.
- **8.3** <u>Notices and Directions</u>. Any notice or direction under this Trust shall be in writing and shall be effective when actually delivered or, if mailed, when deposited as registered or certified mail directed to the address stated in this Trust or to such other address as any party may specify by notice to the other parties.
- **8.4** Reliance on Information. The Trustee may accept as correct and rely on any information furnished by the Trustor. The Trustee may not require an audit or disclosure of the Trustor's records.

This original Trust Ag	greement is effective, 2007.	
	UNIVERSITY OF IDAHO	
	TRUSTOR	
	By:	
	Title:	
	Date:	
	TRUSTEE	
	By:	
	Title:	

## **ATTACHMENT 1**

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### REFERENCE - APPLICABLE STATUTE, RULE OR POLICY

Idaho State Board of Education
GOVERNING POLICIES AND PROCEDURES

SECTION: V. FINANCIAL AFFAIRS
Subsection: C. Spending Authority

April 2002

#### C. SPENDING AUTHORITY

1. Monies Subject to Appropriation

## d. Board Authorization Always Required

Irrespective of any other spending authority, the institutions, school and agencies under the governance of the Board must not expend, encumber, or otherwise use monies under their direct control without the specific or general approval by the State Board of Education or the Board of Regents of the University of Idaho and only in such amounts and for such purposes as are so authorized.

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# INSTITUTION / AGENCY AGENDA UNIVERSITY OF IDAHO

#### **SUBJECT**

University of Idaho group life and disability insurance policies.

### APPLICABLE STATUTE, RULE, OR POLICY

N/A

#### **BACKGROUND**

This agenda item is intended to provide an update on the current status of the University's group life and disability insurance programs, which together represent an annual expenditure of approximately \$1,000,000. In the absence of a directly applicable board policy, the University is providing this update at this time to continue to inform the Board of changes to its benefits package, and its continuing efforts to obtain the highest value benefit in its insurance coverage while preparing to transfer to a flexible benefits (cafeteria) program in 2008.

The University began to directly procure its employer-provided life, short and long-term disability (STD and LTD) beginning July 1, 2003. At that time, the University obtained both coverages through Principal Financial Group. Prior to 2003, the University was insured with Principal through the State of Idaho. In 2006, the University elected to conduct market research and a RFP process through Aon Consulting for life and disability insurance. As a result, the University has placed the coverage with two different carriers: Hartford for disability services and Standard for group life insurance.

#### DISCUSSION

The University, in electing to market the two insurance programs, had four primary objectives:

- Continue to provide competitive life, STD and LTD benefits, while seeking the most financially favorable rates without compromising on high quality service
- Find a vendor with the flexibility and willingness to offer alternative designs and funding arrangements to accommodate the planned transfer to a flexible benefits (cafeteria) program
- Have the ability to offer retirees a ported basic life insurance option that limits the University's exposure
- Select the most qualified carrier for each coverage, without requiring life and disability coverage to be provided by the same carrier

Standard (group life) and Hartford (disability) were selected from among the thirteen carriers who responded to the request for proposals based on significant financial impact, their ability to service an account the size of the University and their ability to meet the above stated objectives.

# INSTITUTION / AGENCY AGENDA UNIVERSITY OF IDAHO - continued

#### **IMPACT**

The change to Standard for life insurance saved the University \$176,153 or 25 percent compared to the price of renewal with Principle. The change to Hartford for disability insurance saved the University \$77,741 or 18 percent compared to the price of renewal with Principle. The comparison premium rates for 2006 are set out below:

### Life Insurance:

Principle Renewal: \$783,111 Standard: \$586,604

### Short and Long Term Disability Insurance:

Principle Renewal: \$423,074 Hartford: \$345,333

Both the policy with Standard and the policy with Hartford have a three year rate guarantee, with the rate based on the number of employees, so the rate per employee for employer paid life and disability insurance are guaranteed from July 1, 2006 to July 1, 2009, except for short term disability, which rates are guaranteed through July 1, 2008.

The policy with Standard also includes employee paid supplemental life insurance. The cost of this employee paid coverage under the Standard policy remains unchanged from the former Principle policy.

Insurance costs that are reduced or avoided in the life and disability area help offset the rapidly rising costs of medical coverage and helps maintain cost effective and competitive overall health programs. The University will continue to assess opportunities for maximizing its value without loss of quality across its insurance and benefits portfolio.

#### **ATTACHMENTS**

None. The University has submitted the insurance policies to the Board office and will provide them upon request.

### STAFF COMMENTS AND RECOMMENDATIONS

University personnel will be available to answer questions. Staff recommends approval.

#### **BOARD ACTION**

This item is for informational purposes only. Any action will be at the Board's discretion.

# INSTITUTION/AGENCY AGENDA COLLEGE AND UNIVERSITIES OF THE STATE BOARD

#### **SUBJECT**

Request to Carry-Over FY 2007 Authorized Unspent Funds into FY 2008

### APPLICABLE STATUTES, RULE OR POLICY

State Board of Education Governing Policies and Procedures, Section V.C.1.b. and V.C.1.d.

#### **BACKGROUND**

The agencies and institutions noted below received legislative carryover spending authority.

FY 2008 appropriation bills for the College and Universities (HB299), Health Programs (SB1201), and Division of Professional-Technical Education (HB286). The institutions and agencies request approval to carry over authorized but unspent funds from FY 2007, to be expended in FY 2008.

Board Policy V.C.1.b(2) states "Certain special account monies, such as direct federal appropriations, state endowment income and trust accounts, and miscellaneous receipts, are the subject of continuing or perpetual spending authority." Board Policy V.C.1.d states "...the institutions, school and agencies under the governance of the Board must not expend, encumber, or otherwise use monies under their direct control without the specific or general approval by the State Board of Education or the Board of Regents of the University of Idaho..."

#### DISCUSSION

The ability to carry over funds from one fiscal year to another is very valuable in managing institution or agency budget planning across fiscal years. Expenditures can be strategically planned instead of attempting to spend all funds by the end of a particular fiscal year. The institutions and agencies have identified the funds available to be carried over and the planned expenditure of these funds. Since carry-over revenues are one-time, the expenditures must be limited to one-time items.

#### **IMPACT**

Approval will authorize an increase in spending authority for FY 2008 so the institutions and agencies can expend the funds. These expenditure plans are included in the FY 2008 institutional operating budgets.

# INSTITUTION/AGENCY AGENDA COLLEGE AND UNIVERSITIES OF THE STATE BOARD - continued

### STAFF COMMENTS AND RECOMMENDATIONS

Staff has reviewed the information provided by the institutions, and recommends approval of carryover spending authority, as authorized by legislative appropriation.

#### **BOARD ACTION**

A motion to approve the requests by Boise State University, Idaho State University, University of Idaho, Lewis-Clark State College, ISU Dental Education Program, UI Agricultural Research & Extension Service, UI WWAMI Medical Education Program, and Division of Professional-Technical Education, to carry over authorized but unspent funds from FY 2007 to FY 2008.

Moved by	Seconded by	Carried Yes	No
			110

BAHR – SECTION II TAB 8 Page 2

## INSTITUTION/AGENCY AGENDA BOISE STATE UNIVERSITY

### General Education

The source of funds carried over are: General Account - \$0.00; Student Fees \$20,428,500; Economic Recovery Fund - \$619,800; Total \$21,048,300.

All carryover funds will be used for non-recurring expenses as follows:

Encumbered Funds as of 6/30/2007 These are purchase orders issued and commitments made as of June 30, although the goods or services were not received as of June 30, 2007.	826,091
HERC and Technology Incentive Grants - projects spanning multiple years	579,608
Academic Departments - Instructional support, accreditation costs, and adjunct funding	2,184,735
Academic Reserves	2,100,000
Physical Plant - on-going approved safety, ADA and maintenance projects	1,723,622
Library	458,366
Student Services	992,967
Research start-up and grant matching funds	1,396,000
Institutional Support - includes funding for Professional Staff Salary Study, equipment replacement, and infrastructure support	1,719,800
Remodel costs for teaching laboratories and office space	1,774,000
Emergency Equipment-including generators and notification system	1,500,000
Information technology infrastructure, software, system upgrades and licensing costs	1,315,438
Property acquisitions and purchase of modular space to meet growth needs	1,977,673
General reserve for emergencies - one-time funds	2,500,000
TOTAL	21,048,300

# INSTITUTION/AGENCY AGENDA IDAHO STATE UNIVERSITY

### **General Education**

The source of funds carried over are: General Account \$0; Student Fees \$2,247,472; Endowment \$0; **TOTAL \$2,247,472.** All carryover funds will be used for non-recurring expense as summarized:

Encumbered Funds as of 6/30/07

\$ 727,560

Purchase orders issued and commitments made, but goods or services not received as of 6/30/07.

**HERC** and Technology Grants

\$ 324,730

Research & Technology grants and projects are made for a two or three year period. Carryover is necessary to complete those grants and projects.

Other Carryover Funds

Instructional Support/Equipment \$350,300 Faculty Research Projects 277,376 General Institutional Reserve 567,506

Total Other Carryover Funds \$1,195,182

Total Carryover \$2,247,472

#### **Idaho Dental Education Program**

The source of funds carried over are: General Account \$6,038; Student Fees \$78,337; **Total \$84,375.** All carryover funds will be used for non-recurring expense as summarized:

Planned expenditures for uncommitted funds are:

Instructional Support/Equipment \$78,337 Reserve for Trustee Benefit 6,038

Total IDEP Carryover \$84,375

**Budget Stabilization Fund** 

Encumbrances \$133,591 Reserve for Equipment 118,301

Total Budget Stabilization Fund Carryover \$251,892

# INSTITUTION/AGENCY AGENDA UNIVERSITY OF IDAHO

#### **General Education**

The sources of funds carried over are: General Account \$0; Matriculation Fee \$793,255; Miscellaneous Receipts to the Appropriation \$15,210,351 and Land Grant Endowments \$155,762. **TOTAL \$16,003,606.** 

• Fiscal year 2007 carryover funds are nearly equal to fiscal year 2006 carryover amounts. Long-range plans, new initiatives, strategic plan implementation and other operating obligations typically span multiple fiscal years. Maintaining liquidity or operating reserves minimizes disruptions in the delivery of academic programs and student services as internal reorganizations and reallocations are made. It is also important to note that sound liquidity and operating reserves contribute to a healthy financial statement and good bond ratings for the university.

All carryover funds will be used for non-recurring expenses as follows:

Encumbered Funds as of 6/30/06  Purchase orders issued and commitments made, but goods not received as of 6/30/06.	\$395,158
HERC, Tech Incentive, EPSCoR Projects Faculty Development and Start-Up Extra Sections, Part-time Faculty Appointments Summer Appointments, Faculty Overload Teaching Assistantships, Research Activities, Matching Funds, Outreach Student Recruitment and Retention Searches, Recruitment Costs, Replacement Costs Academic Area Action Plans and Reserves Academic Area Special Initiatives Facility Repairs, Modifications, Updates Equipment, Vehicle Acquisitions and Replacements All Other Department Operations, Reserves, Action Plans	1,108,200 1,500,000 400,000 900,000 331,600 1,491,300 484,100 600,000 3,525,248 996,500 1,272,700 1,108,300 1,890,500
Total carryover including encumbrances	\$16,003,606

# INSTITUTION/AGENCY AGENDA UNIVERSITY OF IDAHO

### **Agricultural Research and Extension Service**

The sources of funds carried over are: General Account \$0; Miscellaneous Receipts to the Appropriation \$93,910; and Federal Formula Funds \$3,317,050.

All carryover funds will be used for non-recurring expenses as follows:

Encumbered Funds as of 6/30/07	\$395,112
Purchase orders issued and commitments made,	

but goods not received as of 6/30/07.

Faculty and staff salaries	2,666,493
Department operating support	276,855
Equipment replacement/acquisition	72,500

Total carryover including encumbrances \$3,410,960

## **UI Special Programs and Health Programs**

WWAMI Medical Education: Funds carried over for one-time expenses in FY2007 are \$205,426 of Miscellaneous Receipts. These funds will be used for new faculty start-up.

## INSTITUTION/AGENCY AGENDA LEWIS-CLARK STATE COLLEGE

#### **General Education**

The source of funds carried over are: General Account \$0; Student Fees \$1,435,047; Endowment \$44,268; **TOTAL \$1,479,315.** 

All carryover funds will be used for non-recurring expenses.

Encumbered Funds as of 6/30/2007 \$ 172,331

Purchase orders issued and commitments made, but goods and services not received as of 6/30/2007.

Other Carryover Funds \$1,306,984

Total Carryover \$1,479,315

# INSTITUTION/AGENCY AGENDA DIVISION OF PROFESSIONAL-TECHNICAL EDUCATION

Section 2. of House Bill No. 286 reappropriated to the State Board for Professional-Technical Education for the Division of Professional-Technical Education any unexpended and unencumbered balance of any appropriation contained in Section 1, Chapter 389, Laws of 2006, to be used for nonrecurring expenditures, for the period of July 1, 2007 through June 30, 2008.

The Division requests approval to expend FY2007 authorized, but unexpended Professional-Technical Education funds of \$187,246.44 reappropriated to the State Board for Professional-Technical Education for the Division of Professional-Technical Education for nonrecurring expenditures for the period of July 1, 2007 through June 30, 2008 as per House Bill 286.

#### **IMPACT**

One-time Personnel Costs	\$ 10,406.72
One-time Operating Expenses	156,138.63
One-time Capital Outlay	20,701.09
Total	\$187,246.44

REFERENCE: APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education
GOVERNING POLICIES AND PROCEDURES
SECTION: V. FINANCIAL AFFAIRS

C. Spending Authority October 2002

## **C. Spending Authority**

- 1. Monies subject to appropriation
- b. General Account and Special Accounts.
  - (1) All General Account monies are subject to annual or continuing appropriations by the Idaho Legislature.
  - (2) Certain special account monies, such as direct federal appropriations, state endowment income and trust accounts, and miscellaneous receipts, are the subject of continuing or perpetual spending authority. (See, for example, Sections 67-3608 and 67-3611, Idaho Code (miscellaneous receipts); Section 67-3607 and Section 33-3301 et seq., Sections 33-2909 and 33-2910, Sections 33-2913 and 33-2914, Sections 33-2911 and 33-2912, Sections 66-1106 and 66-1107, Idaho Code (state endowment income and trust accounts).)

TAB 8 Page 9

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#### SUBJECT

Idaho Promise Scholarship – Category B Award

## APPLICABLE STATUTE, RULE, OR POLICY

IDAPA 08.01.05.102.01 33-4305, 33-4307, and 33-4308, Idaho Code

#### **BACKGROUND**

The Idaho Promise Scholarship Category B award is for all Idaho students attending college for the first time and who have a high school grade point average of at least 3.0 or an ACT score of 20 or above. This scholarship is limited to two years and to students younger than 22 years of age. Students must maintain at least a 2.5 GPA while taking an average of 12 credits to remain eligible for the scholarship. State law requires the State Board of Education to annually set the amount of the award based on the legislative appropriation and the number of eligible students.

#### DISCUSSION

The Legislative appropriation for the Promise Category B scholarship for FY08 is \$4,446,470. Idaho's colleges and universities have identified eligible Promise Category B recipients for the fall 2007 semester at a rate of \$250/eligible student. Distribution of funds for fall 2007 students has occurred. Remaining funds available for distribution for the spring 2008 semester allow the Board to increase the spring 2008 award to \$315. This will allow for maximum use of the state appropriation for this program, and will assist eligible Idaho students in paying for postsecondary education.

### **IMPACT**

The Idaho Promise Scholarship Category B provides a merit-based scholarship to Idaho high school graduates in an attempt to motivate students to excel in high school and attend a higher education institution in Idaho. Estimated number of students participating in the program for Fall 07 is 7,437 and 8,012 for Spring 08. By increasing the spring award, the estimated expenditure will be \$4,383,030. The State appropriation for this program is \$4,446,700, leaving a balance of approximately \$63,670.

#### STAFF COMMENTS AND RECOMMENDATIONS

Staff recommends approval of the Promise Category B scholarship in the amount of \$315 for the Spring semester, 2008. This would equal \$565 for the 2007-2008 academic year. This will allow a small amount to remain in the FY 2008 appropriation.

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	rove the amount of the Ida he Spring semester, 2008,		1
Moved by	Seconded by	Carried Yes	No

BAHR – SECTION II TAB 9 Page 2

## Promise B Scholarship Adjustment for Spring 2008 - October 11-12, 2007 Board Meeting

Actual Fall Award Amount	\$250
Proposed Spring Award Amount	\$295

Institution	<u>s</u>	Fall <u>students</u>	Fall <u>Awards</u>	% of Total \$\$
Boise State University		1,698	424,500	22.83%
Idaho State University		1,155	288,750	15.53%
University of Idaho		1,540	385,000	20.71%
Lewis-Clark State College		200	50,000	2.69%
College of Southern Idaho		570	142,500	7.66%
North Idaho College		490	122,500	6.59%
Albertson College		246	61,500	3.31%
Eastern Id. Tech. College		36	9,000	0.48%
N. W. Nazarene University		147	36,750	1.98%
BYU-Idaho		<u>1,355</u>	338,750	18.22%
Total Fall 2007 Recipients:		7,437	\$1,859,250	100.00%
BYU-Idaho Summer session estimate		<u>575</u>	143,750	
Est. Spring Recipients, inc. BYU-I summer: (spring estimate Provided by Brenda Reeser@	BYU-I)	8,012	\$2,003,000	
FY 2008 Appropriation, Promise B	\$	4,446,700		
Actual Fall 2007 Students		7,437		
Total Fall 2007 Award @ \$250		1,859,250		
Aveilable for Cosing 2007	Φ.	0.507.450		
Available for Spring 2007	\$	2,587,450		
Estimated Spring 2008 and BYUI summer Stu		8,012		
Proposed Spring 2008 Award	\$	315		
Proposed Spring 2008 Total	\$	2,523,780		
Amount Remaining % of Original Appropriation Remaining	\$	63,670 1.4%		

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# REFERENCE - APPLICABLE STATUTE, RULE, OR POLICY

### **ADMINISTRATIVE RULES**

### IDAPA 08.01.05.102.01

- 102. MONETARY VALUE OF THE SCHOLARSHIP.
  - 01. Monetary Value. The monetary value of each scholarship shall be set annually by the Board in accordance with Sections 33-4307(3) et seq., Idaho Code. (3-15-02)
  - 02. Duration. The grant covers up to one (1) educational year or equivalent for attendance at an eligible postsecondary educational institution. (3-15-02)

BAHR – SECTION II TAB 9 Page 5

### REFERENCE - APPLICABLE STATUTE, RULE, OR POLICY - continued

#### **IDAHO STATUTES**

TITLE 33
EDUCATION
CHAPTER 43
SCHOLARSHIPS

### 33-4305. PURPOSES. The purpose of this act is:

- (1) To establish a state scholarship program for the most talented Idaho secondary school graduates or the equivalent, consisting of category A students with outstanding academic qualifications and category B students with a cumulative grade point average for grades nine (9) through twelve (12) of 3.0 or better or achieving an ACT score of 20 or better or who become eligible after the student's first semester or who meet any other criteria as may be established by the state board of education and the board of regents of the university of Idaho, who will enroll in undergraduate nonreligious academic and professional-technical programs in eligible postsecondary institutions in the state; and
- (2) To designate the state board of education and the board of regents of the university of Idaho as the administrative agency for the state scholarship program.

### 33-4307. ELIGIBILITY -- MAXIMUM AMOUNTS -- CONDITIONS

A grant may be awarded to an eligible student for matriculation at an eligible postsecondary educational institution in the state of Idaho if:

- (1) The individual is accepted for enrollment as a full-time undergraduate or professional-technical student, as follows:
  - (a) In the case of an individual beginning his first year or freshman year of postsecondary education, he has satisfied the requirements for admission and has enrolled in an eligible postsecondary institution.
  - (b) In the case of an individual enrolled in an eligible postsecondary institution following the successful completion of the first term, he continues to meet the requirements of this act and has maintained such high standards of performance as may be required. Provided that high academic standards are maintained in accordance with requirements of this chapter, a student continues to be eligible when transferring from one (1) major program to another.
  - (c) In the case of an individual transferring from one (1) eligible postsecondary institution in Idaho to another eligible postsecondary institution in Idaho, he continues to meet the requirements of this act, is accepted and enrolled at the eligible postsecondary institution to which he is transferring, and has maintained such high standards of performance as may be required.

- (2) The grant for category A students is as follows:
- (a) The grant payment to an individual per educational year for attendance on a full-time basis is not in excess of an amount determined annually by the state board of education or in excess of the total educational costs as certified by an official of the eligible postsecondary institution to be attended by the individual receiving the grant, whichever is less.
- (b) The total grant payments over a period of six (6) years to an individual may not exceed four (4) annual grants or the total educational costs for four (4) educational years completed as certified by an official of the eligible postsecondary institution or institutions attended by the individual receiving the grant, whichever is less.
- (c) The individual receiving such a grant signs an affidavit stating that the grant will be used for educational costs only.
- (d) The grant is awarded on the basis of extraordinary performance in standardized, unweighted competitive examination and high school record.
- (e) The individual receiving the grant is not precluded from receiving other financial aid, awards, or scholarships, provided the total of the grant and such other financial aids, awards or scholarships does not exceed the total educational costs for attendance at an eligible postsecondary institution as certified by an official of the eligible postsecondary institution to be attended by the individual receiving the grant.
- (f) Grant payments shall correspond to academic terms, semesters, quarters or equivalent time periods at an eligible postsecondary institution; in no instance may the entire amount of a grant for an educational year, as defined in section 33-4306(10), Idaho Code, be paid to or on behalf of such student in advance.
- (g) The individual has complied with such rules as may be necessary for the administration of this act.
- (3) The grant for category B students is as follows:
- (a) The grant payment to an individual per educational year for attendance on a full-time basis is not in excess of an amount determined annually by the state board of education and the board of regents of the university of Idaho and not to exceed one thousand two hundred dollars (\$1,200) per year including the required match.
- (b) The total grant payments over a period of four (4) years to an individual may not exceed two (2) annual grants.
- (c) The individual receiving such a grant signs an affidavit stating that the grant will be used for educational costs only.
- (d) The grant is awarded on the basis of a high school record of a 3.0 grade point average or an ACT composite score of 20 or better and other criteria as may be established by the state board of education and the board of regents of the university of Idaho.
- (e) The individual receiving the grant is not precluded from receiving

other financial aid, awards or scholarships except that category A student award recipients are not eligible for category B awards.

- (f) Grant payments shall correspond to academic terms, semesters, quarters or equivalent time periods at an eligible postsecondary institution; in no instance may the entire amount of a grant for an educational year, as defined in section 33-4306(8), Idaho Code, be paid to or on behalf of such student in advance. The first grant payments pursuant to this section for category B students shall be made in the fall of 2001 or in the first fall academic term following an appropriation and when moneys are available to implement the category B scholarship program, whichever date is later.
- (g) The individual has complied with such rules as may be necessary for the administration of this chapter.
- (h) All eligible postsecondary institutions will report annually to the state board of education and the board of regents of the university of Idaho the number of students for each term receiving a grant award and the number of awards that were matched by the institution.

#### 33-4308. MAXIMUM NUMBER OF GRANTS.

- (1) The total number of grants to eligible category A students shall not exceed one hundred (100) per year, nor a cumulative total number of grants of four hundred (400) outstanding at any given time
- (2) The total number of grants to category B students will be determined annually by the state board of education and the board of regents of the university of Idaho based on the number of eligible students, the individual award amount and the availability of funds.

BAHR – SECTION II TAB 9 Page 8

#### **SUBJECT**

Idaho Opportunity Scholarship line item for \$10 million one-time appropriation

#### REFERENCE

August, 2007

Board approved FY 2009 Scholarships & Grants line

item budget requests.

### APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Section V. B.1 House Bill 329, 2007 Legislative Session

#### **BACKGROUND**

In the 2007 session, the Legislature appropriated to the State Board of Education for Special Programs for Scholarships and Grants, \$10 million one-time, for trustee and benefit payments from the General Fund for fiscal year 2008. These moneys were deposited into the Opportunity Scholarship Program Account for the purpose of creating the corpus of the account.

#### DISCUSSION

During the 2007 JFAC hearings, some Committee members expressed their intent to build upon the initial \$10 million until an amount was reached that would be able to sustain itself with no further ongoing funds. Staff understands this to mean the Board would request \$10 million in the Scholarships & Grants budget in one-time funds for four successive years until the corpus reached \$40 million, the original amount recommended by the Governor in 2007. The request for FY 2009 was not included in the August Board agenda due to an oversight by Staff. DFM has been contacted and is supportive of the board making this request.

#### **IMPACT**

By approving the request for \$10 million one-time funds for the Idaho Opportunity Scholarship, this amount will be included in the FY 2009 budget request for Scholarships & Grants and forwarded to the Division of Financial Management.

#### STAFF COMMENTS AND RECOMMENDATIONS

Staff recommends approval of the line item of \$10 million for the Idaho Opportunity Scholarship to be included in the FY 2009 Scholarships & Grants budget request.

#### **BOARD ACTION**

A motion	to	approve	the	line	item	of	\$10,000,000	for	the	Idaho	Oppor	tunity
Scholarsh	ip t	o be inclu	ıded	in th	e FY	200	9 Scholarship	s &	Gra	nts bud	get red	quest.

Moved by	Seconded by	_Carried Yes	No
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REFERENCE: APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education
GOVERNING POLICIES AND PROCEDURES

SECTION: V. FINANCIAL AFFAIRS Subsection B. Budget Policy

April 2002

### 1. Budget Requests

For purposes of Item 1., the community colleges (CSI and NIC), the State Historical Society, and the State Library are included.

### a. Submission of Budget Requests

The Board is responsible for submission of budget request for the institutions, school and agencies under its governance to the executive and legislative branches of government. Only those budget requests which have been formally approved by the Board will be submitted by the office to the executive and legislative branches.

### b. Direction by the Office of the State Board of Education

The preparation of all annual budget requests is to be directed by the Office of the State Board of Education which designates forms to be used in the process. The procedures for the preparation and submission of budget requests apply to operational and capital improvements budgets.

## c. Preparation and Submission of Annual Budget Requests

Annual budget requests to be submitted to the Board by the institutions, school and agencies under Board governance are due in the Office of the State Board of Education on the date established by the executive director.

#### d. Presentation to the Board

Annual budget requests are formally presented to the designated committee by the chief executive officer of each institution, school or agency or his or her designee. The designated committee will review the requests and provide recommendations to the Board for their action.

### REFERENCE: APPLICABLE STATUTE, RULE, OR POLICY - continued

]]]] LEGISLATURE OF THE STATE OF IDAHO ]]]] Fifty-ninth Legislature First Regular Session - 2007

#### IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 329

#### BY APPROPRIATIONS COMMITTEE

- 1 AN ACT
- 2 APPROPRIATING ADDITIONAL ONE-TIME MONEYS TO THE STATE BOARD OF EDUCATION FOR
- 3 SPECIAL PROGRAMS FOR FISCAL YEAR 2008; APPROPRIATING ADDITIONAL ONGOING
- 4 MONEYS TO THE STATE BOARD OF EDUCATION FOR SPECIAL PROGRAMS FOR FISCAL
- 5 YEAR 2008; PROVIDING FOR THE USE OF FUNDS; APPROPRIATING ADDITIONAL MONEYS
- 6 FOR THE OFFICE OF THE STATE BOARD OF EDUCATION FOR FISCAL YEAR 2008; AND
  - 7 EXPRESSING LEGISLATIVE INTENT REGARDING USE OF FUNDS.
  - 8 Be It Enacted by the Legislature of the State of Idaho:
- 9 SECTION 1. In addition to any other appropriation provided by law, there
- 10 is hereby appropriated to the State Board of Education for Special Programs
- 11 for Scholarships and Grants, \$10,000,000, one-time, for trustee and benefit
- $12\,$  payments from the General Fund for the period July 1, 2007, through June 30,
- 13 2008. These moneys shall be deposited into the Opportunity Scholarship Program
- 14 Account as established in House Bill No. 217, as enacted by the First Regular
- 15 Session of the Fifty-ninth Idaho Legislature, for the purpose of creating the
- 16 corpus of said account. Earnings therefrom shall be distributed annually as
- 17 prescribed by law and subject to the conditions set forth in Section 3 of this
- 18 act.

#### **SUBJECT**

Add 1.0 FTP for GEAR UP Regional Coordinator

#### REFERENCE

August, 2007 Board approved FY 2009 OSBE line item budget

requests.

## APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Section V. B.1

#### **BACKGROUND**

The status of the GEAR UP program at the time of agenda preparation was uncertain. Currently, the OSBE budget provides for one Program Manager and one Regional Coordinator. If the GEAR UP program proceeds as planned, two Regional Coordinators will be required as stated in the approved GEAR UP grant application.

#### DISCUSSION

If the GEAR UP program goes forward, an additional Regional Coordinator will be required. Each Regional Coordinator position will provide technical assistance and contract monitoring to half of the twenty-four GEAR UP schools throughout the state. A second Regional Coordinator is already included in the GEAR UP Program budget, and no additional funding is being requested for this federal program. Should the GEAR UP program not proceed, then this FTP will not be requested from the Division of Financial Management (DFM).

#### **IMPACT**

By approving the request for 1.0 FTP for the GEAR UP program, OSBE will be able to request the additional FTP from DFM should the program go forward.

#### STAFF COMMENTS AND RECOMMENDATIONS

Staff recommends approval of the 1.0 FTP for the GEAR UP program.

#### **BOARD ACTION**

I move to approve the line item of 1.0 FTP for a Regional Coordinator for the GEAR UP program.

Moved by Seconded by	Carried Yes	No	_
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REFERENCE: APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education
GOVERNING POLICIES AND PROCEDURES

SECTION: V. FINANCIAL AFFAIRS Subsection B. Budget Policy

April 2002

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#### d. Presentation to the Board

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#### **SUBJECT**

Funding for the Idaho English Language Assessment (IELA) Program.

#### REFERENCE

August, 2007 Board approved FY 2009 Office of the State Board of

Education line item budget requests.

### APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Section V. B.1 Senate Bill 1237, Section 9
Title III, Section 3113(3)(D)

#### **BACKGROUND**

The Board has negotiated with the State Department of Education (SDE) and Data Recognition Corporation (DRC) in order to reduce current year FY 2008 Assessment Program expenditures to be in line with current year appropriations. Included in the overall plan to reduce expenditures outside of the DRC contract was the shifting of IELA costs in the amount of \$600,000 from the Office of the State Board (OSBE) Assessment budget for FY 2009 and thereafter to the State Department of Education's LEP program budget.

### **DISCUSSION**

The SDE budget request for FY 2009 does not include a request for an additional \$600,000 for the IELA program. The \$600,000 would be redirected from general Limited English Proficiency (LEP) funds which will reduce the \$5.29m in FY 2008 that is intended to go directly to districts to \$4.69m in FY 2009. The intent language for LEP funding under SDE states the "State Department of Education shall distribute \$5,290,000 to school districts pro rata, based upon the population of limited-English proficient students under criteria established by the department." An additional \$750,000 has been made available in the past two years by the legislature to allocate to districts in the form of competitive grants struggling to meet AYP. Only about 15 districts receive these grants, which are contingent on annual legislative approval. In order for the \$600,000 to be used for the IELA, the Legislature would need to approve modifications to the intent language or appropriate additional funds for this purpose.

Federal law requires that the Board, as the State educational agency, will ensure that eligible entities receiving a subgrant annually assess the English proficiency of all limited English proficient children participating in a program funded under Title III, Section 3113(B)(3)(D).

The OSBE Assessment budget is comprised mostly of the Idaho Standards Achievement Test (ISAT), however it also includes the IELA. The ISAT contract was previously provided by Northwest Evaluation Association (NWEA) through 2006. An RFP was sent out and the only company to submit a responsive bid on the RFP for the new contract starting in 2007 was DRC. The contract price went up considerably due to technical quality issues that needed to be corrected, retention of ownership of all test items, and development costs. The new base contract included only those items required by No Child Left Behind (NCLB), and the assessments not required by federal law, but required under Board rule, were included as cost options which could be accepted by OSBE at an additional cost. The Board approved the base contract, and at a later date some cost options were accepted, which contributed to the increased cost of the DRC contract. On September 12, 2007, the Board approved the negotiation of contract revisions with DRC in order to reduce current year expenditures by eliminating some, but not all, of the cost options.

The OSBE appropriation for Assessment in 2006 was \$6,464,100 including \$2,355,700 in General Funds and \$4,108,400 in Federal Funds.

OSBE Assessment Program costs for fiscal year 2006 were as follows:

NWEA (ISAT)	\$3,733,660
PLATO	2,056,300
IELA (Questar Assessment)	279,150
Other	314,090
Total Costs	\$6,383,200

In 2007, the State appropriated \$1,700,000 in one-time general funds for NWEA to provide the Fall/Winter assessments which included 2<sup>nd</sup>/9<sup>th</sup> Grade assessments.

OSBE Assessment Program costs for fiscal year 2007 were as follows:

NWEA (ISAT)	\$1,840,650
PLATO	583,700
DRC	6,184,750
IELA (Questar Assessment)	605,500
Other	<u> 193,100</u>
Total	\$9,407,700

In 2008, one-time general funds were appropriated for development of Cut Scores and Performance Level Descriptors in the amount of \$865,000, and for the conduct of an independent alignment study and the addition of class score reports.

The Assessment Program costs are projected to reduce by \$597,200 from 2007 to 2008 with a decrease in the appropriation of \$835,000, resulting in a shortfall of \$237,800. This shortfall will be paid using carryover Federal funds from the prior year.

OSBE Assessment Program costs for fiscal year 2008 are estimated as follows:

DRC (ISAT)	\$8,036,000
IELA (Questar Assessment)	600,000
Other	<u>174,500</u>
Total	\$8,810,500

#### **IMPACT**

The contract revisions with DRC eliminate 2<sup>nd</sup> grade and winter testing, but still provide for fall testing, winter retesting, and 9<sup>th</sup> Grade assessments. Only by deferring over \$700k in payments to DRC into the subsequent year can the OSBE budget cover the IELA expenses of \$600,000. For 2009, there are no carryover Federal funds anticipated from the prior year and the \$865,000 in one-time funds will not be available. Therefore, the OSBE budget in 2009 and beyond will not be able to cover the \$600,000 in IELA costs, necessitating funding from other sources, such as an additional appropriation or the SDE budget, or a reduction in costs.

The Board has assumed the responsibility of running the ISAT and IELA, and both contracts are staffed and managed through the Board office. Options available to the Board are as follows:

- 1. State provide \$600,000 for the federally required IELA program
- 2. Funds provided by the existing OSBE budget
- 3. Funds provided by the existing SDE budget

#### Option 1:

Under option 1, which would need to be approved by the Governor and Legislature, the OSBE budget would be increased to permit it to administer the federally required IELA program while leaving the SDE intent language intact and allowing all LEP Program funds to go to the school districts as authorized by the Legislature. No additional contract negotiations with DRC would be necessary.

### Option 2:

Under option 2, additional cost options under the DRC contract would need to be eliminated, including the 9<sup>th</sup> grade test, Winter retest, or Fall administration, none of which are required by No Child Left Behind, but are required by Board Rule. This would require the renegotiation of the DRC contract, and impact concessions already made by the company. The estimated costs for 9<sup>th</sup> grade administration, Winter retest, Fall administration, and Fall retest are as follows:

Test	2008	2009
9 <sup>th</sup> grade administration	\$1,111,324	\$782,859
Winter retest	228,355	228,355
Fall administration	688,745	439,447
Fall retest	228,355	228,355

## Option 3:

Under option 3, approved, the Legislature would need to change intent language for the SDE's LEP funds and reduce the amount intended as a direct allocation to school districts. The intent language could be changed within the direct \$5.29 Mil allocation, which would reduce the current allocation from \$292 per student, to approximately \$259 per student, significantly impacting districts' ability to provide quality services for LEP students. Or the intent language could be changed for the \$750,000 competitive grant funds for districts struggling to meet AYP.

The SDE would transfer the \$600,000 to OSBE in order to continue the IELA program which is staffed and contracted out of OSBE.

#### STAFF COMMENTS AND RECOMMENDATIONS

Staff is proceeding to implement Option 3 pending further guidance or direction by the Board. Staff provides the information for Board reference in order to keep the Board apprised of the fiscal impact the IELA program may have on the OSBE budget should the Legislature not change intent language.

#### **BOARD ACTION**

This item is for informational purposes only. Any action will be at the Board's discretion.

REFERENCE: APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education
GOVERNING POLICIES AND PROCEDURES
SECTION: V. FINANCIAL AFFAIRS
Subsection B. Budget Policy

**April 2002** 

### 1. Budget Requests

For purposes of Item 1., the community colleges (CSI and NIC), the State Historical Society, and the State Library are included.

## a. Submission of Budget Requests

The Board is responsible for submission of budget request for the institutions, school and agencies under its governance to the executive and legislative branches of government. Only those budget requests which have been formally approved by the Board will be submitted by the office to the executive and legislative branches.

## b. Direction by the Office of the State Board of Education

The preparation of all annual budget requests is to be directed by the Office of the State Board of Education which designates forms to be used in the process. The procedures for the preparation and submission of budget requests apply to operational and capital improvements budgets.

### c. Preparation and Submission of Annual Budget Requests

Annual budget requests to be submitted to the Board by the institutions, school and agencies under Board governance are due in the Office of the State Board of Education on the date established by the executive director.

#### d. Presentation to the Board

Annual budget requests are formally presented to the designated committee by the chief executive officer of each institution, school or agency or his or her designee. The designated committee will review the requests and provide recommendations to the Board for their action.

## Idaho English Language Proficiency Assessment (IELA)

# II. SDE Legislative intent language for Limited English Proficiency (LEP) program funds

2007 Legislative session – (no intent has been written yet for 2008 Legislative session).

SENATE BILL NO. 1237 BY FINANCE COMMITTEE

DIRECTING THAT \$6,040,000 BE ALLOCATED FOR PROGRAMS FOR STUDENTS WITH NON-ENGLISH OR LIMITED-ENGLISH PROFICIENCY:

- 8 SECTION 9. Of the moneys appropriated in Section 3 of this act,
- 9 \$6,040,000 shall be distributed for support of programs for students with non-
- 10 English or limited-English proficiency, as follows:
- 11 (1) The State Department of Education shall distribute \$5,290,000 to
- school districts pro rata, based upon the population of limited-English
- proficient students under criteria established by the department.
- 14 (2) The State Department of Education shall distribute \$750,000 to
- schools in which the population of English language learners failed to
- meet Adequate Yearly Progress (AYP) in math or reading, as defined in fed-
- eral law. The department shall develop the program elements governing the
- use of these funds, modeled on the training, intervention and remediation
- elements of the program described in Section 7 of this act. The purpose of
- these funds is to improve the English language skills of English language
- 21 learners, to enable such students to better access the educational oppor-
- tunities offered in public schools. Such funds shall be distributed on a
- one-time basis, and the Superintendent of Public Instruction shall report
- to the Joint Finance-Appropriations Committee and the House of Representa-
- 25 tives and the Senate Education Committees, by no later than February 1,
- 26 2008, on the program design, uses of funds, and effectiveness of the pro-
- 27 gram.

III. Federal requirement for administration of the Idaho English Language Assessment (IELA).

## Title I: Section 1111(b)(7)

(7) ACADEMIC ASSESSMENTS OF ENGLISH LANGUAGE PROFICIENCY- Each State plan shall demonstrate that local educational agencies in the State will, beginning not later than school year 2002-2003, provide for an annual assessment of English proficiency (measuring students' oral language, reading, and writing skills in English) of all students with limited English proficiency in the schools served by the State educational agency, except that the Secretary may provide the State 1 additional year if the State demonstrates that exceptional or uncontrollable circumstances, such as a natural disaster or a precipitous and unforeseen decline in the financial resources of the

State, prevented full implementation of this paragraph by that deadline and that the State will complete implementation within the additional 1-year period.

Title III: Section 3116(b)(3)(C)

- (b) CONTENTS- Each plan submitted under subsection (a) shall
  - (3) describe how the eligible entity will hold elementary schools and secondary schools receiving funds under this subpart accountable for
    - (A) meeting the annual measurable achievement objectives described in section 3122\*:
    - (B) making adequate yearly progress for limited English proficient children, as described in section 1111(b)(2)(B); and
    - (C) annually measuring the English proficiency of limited English proficient children, so that such children served by the programs carried out under this part develop proficiency in English while meeting State academic content and student academic achievement standards as required by section 1111(b)(1);

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