LOAN AGREEMENT

THIS LOAN AGREEMENT, dated as of July 1, 2008 (this "Agreement"), is between **IDAHO HOUSING AND FINANCE ASSOCIATION** (the "Issuer"), an independent public body corporate and politic organized and existing under the laws of the State of Idaho (the "State"), and **VICTORY CHARTER SCHOOL, INC.**, a nonprofit corporation duly organized and validly existing under the laws of the State (the "Borrower").

W I T N E S S E T H:

WHEREAS, the Issuer is an independent public body corporate and politic created by Title 67, Chapter 62, Idaho Code, as amended (the "Act") and is authorized to issue revenue bonds for the purpose of financing the Project, as defined herein; and

WHEREAS, the Borrower proposes that the Issuer issue the Series 2008 Bonds, as defined herein, and loan the proceeds thereof to the Borrower for the following purposes: (i) to refinance an outstanding interim construction loan utilized to construct school facilities of approximately 31,200 square feet, including 11 regular classrooms, a computer lab, science lab, music room, cafeteria/library, seven bathrooms, a high school commons area for grades K through 10 located at 1081 E. Lewis Lane in Nampa, Idaho; (ii) to finance the construction of a track and field complex; (iii) to fund a debt service reserve fund; and (iv) to pay the costs associated with the issuance of the Series 2008 Bonds (collectively, the "Project"); and

WHEREAS, pursuant to and in accordance with the Act, the Issuer proposes to make a loan (the "Loan") to the Borrower pursuant to this Agreement for the purpose of financing the Project; and

WHEREAS, the Issuer has determined to issue its Nonprofit Facilities Revenue Bonds (Victory Charter School, Inc. Project), Series of 2008A and Series 2008B (Federally Taxable) (collectively, the "Series 2008 Bonds" and, together with any future Additional Bonds, (the "Bonds") in the aggregate principal amount of $3,965,000, pursuant to a Trust Indenture dated as of July 1, 2008 (the "Indenture"), between the Issuer and Wells Fargo Bank, National Association, as trustee (the "Trustee"), in order to fund such Loan; and

WHEREAS, the Issuer proposes to loan to the Borrower and the Borrower desires to borrow from the Issuer the proceeds of the Series 2008 Bonds for the purposes of financing or refinancing the Project upon the terms and conditions hereinafter in this Agreement set forth.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto formally covenant, agree and bind themselves as follows:

ARTICLE I

DEFINITIONS

All terms defined in Appendix I to the Indenture shall have the same meaning in this Agreement. In addition, the following terms, except where the context indicates otherwise, shall have the respective meanings set forth below:

"*Accountant*" means initially, Gibbons, Scott & Dean LLP, or thereafter any other independent certified public accounting firm licensed to practice in the State of Idaho (which may be the firm of accountants that regularly audits the books and accounts of the Borrower) from time to time selected by the Borrower.

"*Accountant's Certificate*" means a report, certificate or opinion by the Accountant.

"*Agreement*" or "*Loan Agreement*" means this Loan Agreement and any amendments and supplements hereto made in conformity with the requirements hereof and of the Indenture.

"*Authorizer*" means the Idaho Public Charter School Commission.

"*Board*" means the Board of Directors of the Borrower.

"*Business Day*" means any day other than (i) a Saturday or Sunday, (ii) any day on which banking institutions located in Boise, Idaho are required or authorized by law or executive order to close, (iii) any day on which banking institutions located in the city or cities in which the Designated Office of the Trustee is located are required or authorized by law or executive order to close or (iv) any day on which the New York Stock Exchange is closed.

"*Charter Contract*" means the Borrower's original petition to the District, as revised and accepted by the Authorizer, together with any subsequent applications to modify or renew the Charter and any required acceptance letters of DOE related thereto.

"*Dissemination Agent*" means Wells Fargo Bank, National Association, Boise, Idaho, and its successors and assigns or any successor, Dissemination Agent appointed by the Borrower pursuant to the provisions of the Continuing Disclosure Agreement.

"DOE" means the Idaho State Department of Education.

"*Environmental Damages*" means all claims, judgments, damages, losses, penalties, fines, liabilities (including strict liability), encumbrances, Liens, privileges, costs, and expenses of investigation and defense of any claim, whether or not such claim is ultimately defeated, and of any good faith settlement or judgment, of whatever kind or nature, contingent or otherwise, matured or unmatured, foreseeable or unforeseeable, including without limitation reasonable attorneys' fees and expert consultants' fees and disbursements, any of which are incurred at any time as a result of the existence of Regulated Chemicals upon, about, beneath or migrating, or threatening to migrate, onto or from the Facilities, or the existence of a violation of

Environmental Requirements pertaining to the Facilities, regardless of whether or not such Environmental Damages were caused by or within the control of the Borrower.

"*Environmental Law*" means the Comprehensive Environmental Response, Compensation and Liability Act of 1976, 42 U.S.C. §§ 6901 *et seq.*, Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by SARA, 42 U.S.C. §§ 1820 *et seq.*, the Hazardous Materials Transportation Act, 49 U.S.C. §§ 1810 *et seq.*, the Toxic Substances Control Act, 15 U.S.C. §§ 2601 *et seq.*, the Resource Conservation and Recovery Act, as amended, 42 U.S.C. §§ 9601 *et seq.*, the Clean Water Act, 33 U.S.C. §§ 1251 *et seq.* and the Clean Air Act, 42 U.S.C. §§ 7412 *et seq.*, and any other applicable federal or state laws pertaining to the protection of the environment, as any such laws may be amended, modified or supplemented and any regulations promulgated pursuant to any of the foregoing.

"*Environmental Report*" means any Environmental Assessment Tests (each as defined in Section 6.08 herein), or other environmental report or audit conducted at the Facilities for any reason.

"*Environmental Requirements*" means all applicable federal, State, regional or local laws, statutes, rules, regulations or ordinances, concerning public health, safety or the environment, including, but not limited to, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. §§ 9601, *et seq.*, the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976, as amended by the Solid and Hazardous Waste Amendments of 1984, 42 U.S.C. §§ 6901, *et seq.*, the Federal Water Pollution Control Act, as amended by the Clean Water Act of 1977, 33 U.S.C. §§ 1251, *et seq.*, the Toxic Substances Control Act of 1976, 15 U.S.C. §§ 2601, *et seq.*, the Emergency Planning and Community Right-To-Know Act of 1986, 42 U.S.C. §§ 11001, *et seq.*, the Clean Air Act of 1966, as amended, 42 U.S.C. §§ 7401, *et seq.*, the National Environmental Policy Act of 1975, 42 U.S.C. § 4321, the Rivers and Harbors Act of 1899, 33 U.S.C. §§ 401 *et seq.*, the Endangered Species Act of 1973, as amended 16 U.S.C. §§ 1531, *et seq.*, the Occupational Safety and Health Act of 1970, as amended, 29 U.S.C. §§ 651, *et seq.*, the Safe Drinking Water Act of 1974, as amended 42 U.S.C. §§ 300(f), *et seq.*, and all rules, regulations, policies and guidance documents promulgated or published thereunder, and any State, regional or local statute, law, rule, regulation or ordinance relating to public health, safety or the environment, including, without limitation those relating to:

(a) releases, discharges, emissions or disposals to air, water, land or groundwater;

(b) the withdrawal or use of groundwater;

(c) the use, handling, or disposal of polychlorinated biphenyls ("PCBs"), asbestos or urea formaldehyde;

(d) the transportation, treatment, storage, disposal, release or management of hazardous substances or materials (including, without limitation, petroleum, its derivatives, by-products or other hydrocarbons), and any other solid, liquid, or gaseous substance, exposure to

which is prohibited, limited or regulated, or may or could pose a hazard to the health and safety of the occupants of the Facilities or any property adjacent to or surrounding the Facilities;

(e) the exposure of persons to toxic, hazardous, or other controlled, prohibited or regulated substances; and

(f) any Regulated Chemical.

"*Event of Default*" means those defaults specified in Section 10.01 hereof and in Section 8.01 of the Indenture.

"Excess Net Revenues" means Pledged Revenues, less Operating Expenses, Repair and Replacement Fund deposits, annual debt service on long-term indebtedness, payments on any Capital Lease, and Debt Service Reserve Fund deficiency payments.

"*Exempt Person*" means any organization described in Section 501(c)(3) of the Code and exempt from tax under Section 501(a) of the Code, the District of Columbia, any state of the United States of America, any possession of the United States of America and any political subdivision of any such State or possession if such political subdivision has more than an insubstantial amount of any of the power to tax, the power of eminent domain or the police power.

"*Fiscal Year*" means the Borrower's fiscal year, which currently begins on July 1 and ends on June 30 of each calendar year.

"*Gross Proceeds*" has the meaning set forth in Section 1.148-1(b) of the Treasury Regulations.

"*Hazardous Material*" means: (a) any substances defined as "hazardous substances," "pollutants," "contaminants," "hazardous materials," "hazardous wastes," or "hazardous or toxic substances" or related materials as now or hereafter defined in any Environmental Law; (b) those substances listed or otherwise identified as substances of the type referred to in the preceding subsection (a) in the regulations adopted and publications issued pursuant to any Environmental Law, as the same may be amended, modified or supplemented; (c) any friable asbestos, airborne asbestos in excess of that generally found in the atmosphere, respectively, where the Facilities are located, or any substance or material containing asbestos, excluding any such materials located on the Facilities prior to the date hereof so long as such materials are contained, maintained, abated or removed in compliance with all applicable Environmental Laws; and (d) any substance the presence of which on the Facilities is prohibited by any applicable Environmental Law; provided that Hazardous Material shall not include any such substances used in or resulting from the ordinary operation of the Facilities or for the cleaning of the Facilities, provided that such substances are stored, handled and disposed of in compliance with all applicable Environmental Laws and other applicable laws and regulations.

"*Indenture*" means the Trust Indenture, dated as of July 1, 2008, between the Issuer and the Trustee, including any indentures supplemental thereto made in conformity therewith, pursuant to which the Bonds are authorized to be issued and secured.

"Interim Loan" means the loan from the US Bank National Association to Borrower in the original amount of $3,000,000.

"*Investment*" has the meaning set forth in Section 1.148-1(b) of the Treasury Regulations.

"*Irrevocable Deposit*" means the irrevocable deposit in trust of cash in an amount (or Government Obligations, the principal of and interest on which will be in an amount) and under terms sufficient to pay all or a specified portion of the principal of, premium, if any, and/or the interest on, as the same shall become due, any Indebtedness which would otherwise be considered Outstanding. The trustee of such deposit shall have possession of any cash and securities (other than book-entry securities) and may be the Trustee or any other trustee authorized to act in such capacity.

"*Issue Price*" means the par amount of the Bonds plus original issue premium, if any, less original issue discount, if any.

"*Issuer*" means Idaho Housing and Finance Association, an independent public body corporate and politic organized and existing under the laws of the State of Idaho, and its successors and assigns.

"*Land*" means the real estate, interests in real estate and other real property rights described in Exhibit A hereto, together with all real estate, interests in real estate and other real property rights made a part of the Land in connection with the substitution of such real estate and other real property rights pursuant to Section 8.11 hereof or as the result of replacement of property taken in condemnation, or otherwise, less such real estate, interests in real estate and other real property rights released under the provisions of Section 8.11 hereof or taken by the exercise of the power of eminent domain as provided in Section 7.02 hereof.

"*Liabilities*" means any causes of action (whether in contract, tort or otherwise), claims, costs, damages, demands, judgments, liabilities, losses, suits and expenses (including, without limitation, reasonable costs of investigation, and attorney's fees and expenses) of every kind, character and nature whatsoever.

"*Lien*" means any mortgage or pledge of, security interest in, or lien or encumbrance on, any property which secures any Indebtedness or other obligation of the Borrower or which secures any obligation of any Person other than an obligation to the Borrower excluding liens applicable to property in which the Borrower has only a leasehold interest unless the lien secures Indebtedness.

"*Limited Offering Memorandum*" means the Limited Offering Memorandum prepared in connection with the sale of the Series 2008 Bonds dated July 9, 2008.

"*Loan*" means the loan by the Issuer to the Borrower of the proceeds from the sale of the Bonds pursuant to this Agreement.

"Loan Payment(s)" means those payments required to be paid by the Borrower pursuant to Section 5.01 hereof.

"Management Consultant" means an independent professional firm or corporation hired by the Borrower.

"*Permitted Encumbrance*" means, as of any particular time, those items described on Exhibit B attached to the Mortgage and any of the following:

(a) Liens for taxes and special assessments on the Project not then delinquent;

(b) the Mortgage;

(c) purchase money security interests with respect to any item of equipment related to the Project;

(d) utility, access, and other easements and rights-of-way, mineral rights and reservations, restrictions and exceptions which would not in the aggregate (i) materially interfere with or impair any present use of the Project or any reasonably probable future use of the Project, or (ii) materially reduce the value which would be reasonably expected to be received for the Project upon any sale (including any foreclosure of the mortgage granted by the Mortgage);

(e) mechanics' and materialmen's Liens related to the Project when payment of the related bill is not overdue;

(f) mechanics' and materialmen's Liens, security interests or other encumbrances related to the Project to the extent permitted in Section 6.01 hereof;

(g) judgment Liens against the Borrower so long as such judgment is being contested and execution thereon is stayed or while the period for responsive pleading has not lapsed;

(h) (i) Rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license or permit, or provision of law, affecting the Project, to (A) terminate such right, power, franchise, grant, license or permit, provided that the exercise of such right would not materially impair the use of the Project or materially and adversely affect the value thereof, or (B) purchase, condemn, appropriate, or recapture, or designate a purchaser of, the Project; (ii) Liens on the Project for taxes, assessments, levies, fees, water and sewer charges, and other governmental and similar charges not yet due or delinquent; (iii) easements, rights-of-way, servitudes, restrictions and other minor defects, encumbrances and irregularities in the title to the Project which do not materially impair the use of the Project or materially and adversely affect the value thereof; or (iv) rights reserved to or vested in any municipality or public authority to control or regulate the Project or to use the Project in any manner, which rights do not materially impair the use of the Project or materially and adversely affect the value thereof;

(i) Liens and any other restrictions, exceptions, leases, easements or encumbrances which are existing on the date of initial issuance and delivery of the Bonds and set forth in Exhibit B to the Mortgage, provided that no such Lien (or the amount of Indebtedness secured thereby), restriction, exception, lease, easement or encumbrance may be increased, extended, renewed or modified to apply to the Project not subject to such Lien on such date, unless such Lien as so extended, renewed or modified or otherwise qualified as a Permitted Encumbrance hereunder or is otherwise permitted pursuant to Section 8.13 hereof;

(j) Liens on the Project and the Pledged Revenues or any Indebtedness which meet the conditions described in Section 8.13 hereof; and

(k) Liens arising by reason of an Irrevocable Deposit.

(l) Liens on the Project and the Pledged Revenue (subordinate to the Mortgage) to secure payment of indebtedness subordinate to the obligations of the Borrower under Section 8.13 hereof.

"*Person*" includes an individual, association, corporation, partnership, joint venture or a government or an agency or a political subdivision thereof.

"*Pledged Revenues*" means, regardless of the source, all revenues, rentals, fees, third-party payments, receipts, donations, contributions or other income of the Borrower, to the extent permitted thereby and by law, including accounts receivables or other rights to receive such revenues, including, without limitation, State Payments, proceeds derived from insurance, condemnation proceeds, accounts, contract rights and other rights and assets, whether now or hereafter owned, held or possessed by the Borrower; and all gifts, grants, bequests and contributions (including income and profits therefrom) to the extent permitted by the terms thereof and by law.

"*Preliminary Limited Offering Memorandum*" means the Preliminary Limited Offering Memorandum prepared in connection with the offering of the Series 2008 Bonds dated June 27, 2008.

"*Principal Payment Date*" or "*sinking fund payment date*" means, with respect to the Series 2008 Bonds, each July 1, commencing July 1, 2009 and, with respect to any series of Additional Bonds, such other dates as shall be specified in a Supplemental Indenture.

"*Project*" means, collectively, the financing of a project for the following purposes: (i) to refinance an outstanding interim construction loan utilized to construct school facilities of approximately 31,200 square feet, including 11 regular classrooms, a computer lab, science lab, music room, cafeteria/library, seven bathrooms, a high school commons area for grades K through 10 located at 1081 E. Lewis Lane in Nampa, Idaho; (ii) to finance the construction of a track and field complex; (iii) to fund a debt service reserve fund; and (iv) to pay the costs associated with the issuance of the Series 2008 Bonds (collectively, the "Project").

"*Promissory Notes*" or "*Notes*" means, the Series 2008A Note and Series 2008B Note, together with any promissory note related to a future series of Additional Bonds.

"*Regulated Chemicals*" means any substance, the presence of which requires investigation, permitting, control or remediation under any federal, State or local statute, regulation, ordinance or order, including without limitation:

(a) any substance defined as "hazardous waste" under the Resource Conservation and Recovery Act, as amended (42 U.S.C. §§ 6901 *et seq.*);

(b) any substance defined as a "hazardous substance" under the Comprehensive Environmental Response, Compensation and Liability Act, as amended (42 U.S.C. §§ 9601 *et seq.*);

(c) any substance defined as a "hazardous material" under the Hazardous Materials Transportation Act (49 U.S.C. §§ 1800 *et seq.*);

(d) any substance defined under any Idaho statute analogous to (a), (b) or (c), to the extent that said statute defines any term more expansively;

(e) asbestos;

(f) urea formaldehyde;

(g) polychlorinated biphenyls;

(h) petroleum, or any distillate or fraction thereof;

(i) any hazardous or toxic substance designated pursuant to the laws of the State; and

(j) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority.

"*Repair and Replacement Fund Requirement*" means an amount which, when added to any State Funds received by the Borrower pursuant to Idaho Code Section 33-1019, equals 2% of the replacement value of the Borrower's school building as determined to Idaho Code Section 33-1019 for so long as such statutory provision remains in effect; provided, however, that if at any time such statutory provision is repealed or amended in such manner as to require the Borrower to set aside and retain less than 2% of the replacement value of its school building, the Repair and Replacement Fund Requirement shall nevertheless remain 2% of such replacement value, as determined by the Borrower but shall not be less than the amount last required under the state formula.

"*Retirement Date*" means for each series of Bonds, the date on which the last Bond or such series is redeemed and cancelled.

"Series 2008A Bonds" shall have the meaning set forth in the Indenture.

"Series 2008B Bonds" shall have the meaning set forth in the Indenture.

"Series 2008A Note" shall have the meaning set forth in the Indenture.

"Series 2008B Note" shall have the meaning set forth in the Indenture.

"*State*" means the State of Idaho.

"State Board of Education" means the Idaho State Board of Education.

"*Yield*" of

(a) any Investment has the meaning set forth in Section 1.148-5 of the Treasury Regulations; and

(b) any Bonds has the meaning set forth in Section 1.148-4 of the Treasury Regulations.

ARTICLE II

REPRESENTATIONS

Section 2.01. Representations by the Issuer. The Issuer represents that:

(a) The Issuer is an independent public body corporate and politic duly organized and existing under the laws of the State of Idaho;

(b) In order to finance the costs of the Project, in an amount estimated by the Borrower, the Issuer has duly authorized the execution, delivery, and performance on its part of the Bond Purchase Agreement, the Indenture, and this Agreement;

(c) To accomplish the foregoing, the Issuer proposes to issue $3,965,000 in aggregate principal amount of its Series 2008 Bonds immediately following the execution and delivery of this Agreement. The series designation as Series 2008A Bonds and Series 2008B Bonds, the date, denomination or denominations, interest rate or rates, maturity schedule, redemption provisions and other pertinent provisions with respect to the Bonds are set forth in the Indenture;

(d) The Issuer makes no representation or warranty that the amount of the Loan will be adequate or sufficient to finance the Project or that the Project will be adequate or sufficient for the purposes of the Borrower; and

(e) The Issuer has not pledged, assigned, or granted, and will not pledge, assign, or grant any of its rights or interest in or under this Agreement for any purpose other than as provided for in the Indenture.

Section 2.02. Representations by the Borrower. The Borrower represents and covenants that:

(a) As of the date of this Agreement and so long as this Agreement shall remain in force and effect, that the Borrower: (i) is and shall continue to be exempt from federal income taxes under Section 501(a) of the Code or any future section resulting in exemption from such taxes; (ii) it shall not perform any act or enter into any agreement which shall adversely affect such federal income tax status; (iii) it shall not perform any act, enter into any agreement or use or permit the Project to be used in any manner (including in any unrelated trade or business) which would adversely affect the exclusion from gross income of interest on the Tax-Exempt Bonds pursuant to the Code; (iv) it shall not carry on or permit to be carried on in the Project or permit the Project to be used in or for any trade or business the conduct of which is not substantially related to the exercise of performance by the Borrower of the purposes or functions constituting the basis for its exemption under Section 501 of the Code to the extent that such use of the Project would adversely affect the exclusion from gross income of interest on the Tax-Exempt Bonds for federal income tax purposes; and (v) it is duly organized and existing as a nonprofit corporation under the laws of the State, it is in good standing and authorized to transact business in the State, it will maintain, extend and renew its corporate existence under the laws of the State, and it will not do, suffer or permit any act or thing to be done whereby its right to transact its functions might or could be terminated or its activities restricted.

(b) (i) As of the date of this Agreement, the Borrower is an organization organized and operated (A) exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Code, (B) not for pecuniary profit, and (C) in a manner that no part of the net earnings of which inures to the benefit of any person, private stockholder or individual, all within the same meaning, respectively, of 15 U.S.C. Section 77(c)(a)(4), Section 3(a)(4) of the Securities Act of 1933, as amended, and of 15 U.S.C. Section 78 1(g)(2)(D), Section 12(g)(2)(d) of the Securities Exchange Act of 1934, as amended, and (ii) the Borrower shall not perform any act or enter into any agreement which shall adversely affect such status as set forth in this paragraph (b) which would cause the Borrower to lose its exemption from federal income taxes.

(c) The Borrower is organized and operated for the purpose of providing educational services, and with the power to own, develop, construct, rehabilitate, operate, equip, and maintain its charter school facilities, the Borrower has been duly authorized to execute each of the Borrower Documents and consummate all of the transactions contemplated thereby, and the execution, delivery, and performance of the Borrower Documents will not conflict with or constitute a breach of or default by the Borrower under any other instrument or agreement to which the Borrower is a party or to which its property is bound.

(d) The Borrower's execution, delivery, and performance of the Borrower Documents shall not constitute a violation of any order, rule, or regulation of any court or governmental agency having jurisdiction over the Borrower.

(e) There are no pending or, to the Borrower's knowledge, threatened actions, suits, or proceedings of any type whatsoever affecting the Borrower, the Borrower's property, or the Borrower's ability to execute, deliver, and perform with respect to any of the Borrower's

Documents, except as otherwise set forth in the Preliminary Limited Offering Memorandum and the Limited Offering Memorandum.

(f) The Borrower's Facilities will constitute and shall be used as a public charter school and the Project is a permissible project within the provisions of the Act.

(g) Neither the representations of the Borrower contained in the Borrower Documents, the Limited Offering Memorandum nor any oral or written statements, furnished by the Borrower, nor written statements furnished on behalf of the Borrower to the Issuer, Bond Counsel or the Underwriter in connection with the transactions contemplated hereby, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained herein or therein not misleading. There are no facts that the Borrower has not disclosed to the Issuer and the Underwriter of the Bonds in writing that materially and adversely affect or in the future may (so far as the Borrower can now reasonably foresee) materially and adversely affect the properties, business, prospects, profits, or condition (financial or otherwise) of the Borrower, or the ability of the Borrower to perform its obligations under the Borrower Documents, the Limited Offering Memorandum or any documents or transactions contemplated hereby or thereby.

(h) The Borrower's federal employer identification number is 56-2423033.

(i) During the term of this Agreement, the Borrower intends to and will utilize or cause the Project and the Facilities and equipment financed with the proceeds of the Bonds to be utilized as a permissible project within the meaning of the Act as in effect on the date hereof.

(j) To the Borrower's knowledge, the use of the Project, as it complies with all presently applicable zoning, development, pollution control, water conservation, environmental, and other laws, regulations, rules, and ordinances of the federal government and the State and the respective agencies thereof and the political subdivisions in which the Projeet is located.

(k) The Borrower has obtained all necessary approvals of and licenses, permits, consents, and franchises from federal, state, county, municipal, or other governmental authorities having jurisdiction over the Project to acquire, construct, improve, equip, rehabilitate, and operate the Project, and to enter into, exeeute, and perform its obligations under this Agreement and the other Borrower Documents.

(l) To the Borrower's knowledge, the Project, as designed and operated or caused to be operated by the Borrower, and when constructed or rehabilitated in accordanee with such design, will meet all material requirements of law, including requirements of any federal, state, county, city or other governmental authority having jurisdiction over the Project or its use and operation.

(m) To the best of the Borrower's knowledge, none of the Issuer Indemnified Parties has any significant or conflicting interest, financial, employment, or otherwise, in the

Borrower, the Project, or in any of the transactions contemplated under the Borrower Documents.

(n) As of the Closing Date, there has been no material adverse change in the financial condition, prospects, or business affairs of the Borrower or the feasibility or physical condition of the Facilities subsequent to the date on which the Issuer adopted its resolution approving the issuance of the Bonds.

(o) The Borrower (i) understands the nature of the structure of the transactions related to the financing of the Project; (ii) is familiar with all the provisions of the documents and instruments related to such financing to which the Borrower or the Issuer is a party or which the Borrower is a beneficiary; (iii) understands the risk inherent in such transactions, including, without limitation, the risk of loss of the Project; and (iv) has not relied on the Issuer for any guidance or expertise in analyzing the financial consequences of such financing transactions or otherwise relied on the Issuer in any manner, except to issue the Bonds in order to provide funds for the Loan.

(p) The Borrower hereby acknowledges receipt of the Indenture, agrees to be bound by its terms, and accepts all obligations and duties imposed thereby.

(q) The Borrower covenants and agrees that it will not use or permit the use of any funds provided by the Issuer hereunder or any other funds of the Borrower directly or indirectly, in a manner which would, or enter into, or allow any "related person" (as defined in Code Section 147(a)(2)) to enter into, any arrangement, formal or informal, for the purchase of the Bonds that would, or take or omit to take any action that would, to the knowledge of the Borrower, cause any Bond to be an "arbitrage bond" within the meaning of Code Section 148 or "federally guaranteed" within the meaning of Code Section 149(b) and the applicable regulations promulgated from time to time thereunder. The Borrower further covenants to comply with the covenants and procedures set forth in Section 3.16 of the Indenture and to deposit in the Rebate Fund such amount as may be necessary to maintain the Rebate Amount on deposit in the Rebate Fund.

(r) Notwithstanding any provisions of this Section 2.02, if the Borrower shall provide to the Issuer and the Trustee an opinion of Bond Counsel that any specified action required under this Section or Section 3.16 of the Indenture is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Bonds, the Issuer, the Trustee and the Borrower may conclusively rely on such opinion in complying with the requirements of this Section and Section 3.16 of the Indenture and be protected in so doing, and the covenants hereunder shall be deemed to be modified to that extent.

(s) Except during the continuance of an Event of Default, the Borrower shall have a duty to direct the Trustee to invest or reinvest all money held for the credit of the Project Fund established by the Indenture in accordance with Article VI of the Indenture.

(t) All representations of the Borrower contained herein or in any certificate or other instrument delivered by the Borrower pursuant hereto, to the Indenture, or in connection

with the transactions contemplated thereby, shall survive the execution and delivery thereof and the issuance, sale, and delivery of the Bonds as representations of facts existing as of the date of execution and delivery of the instrument containing such representation.

(u) The Borrower covenants and agrees to pay, when due, all costs and expenses of the Issuer incurred in connection with the Bonds or the Project not paid from the Cost of Issuance Fund, including, without limitation, each and all of the following:

(i) all indemnity payments;

(ii) all expenses incurred by the Issuer in connection with the Project, the Bonds, the Indenture, or any of the Borrower Documents, including, without limitation, its attorneys' fees and expenses and its advisors' fees and expenses;

(iii) the Issuer's Fee to be collected at closing and the Issuer's Annual Fee as provided in the Indemnification and Compensation Agreement.

(v) The Borrower will not grant any Liens on the Facilities or the Pledged Revenues (other than the Lien against the Pledged Revenues effected by this Agreement and Permitted Encumbrances).

(w) Upon the execution by the Borrower of the Mortgage and its subsequent recording, and upon the execution and filing of UCC-1 financing statements or amendments thereto, the Trustee will have a valid first Lien on and security interest in the Mortgaged Property (as defined in the Mortgage) subject to no Liens, charges or encumbrances other than the Permitted Encumbrances, and the Borrower will take all necessary actions including filing continuation statements to preserve such Lien and security interest. The Borrower shall not change its name unless prior to the effective date of such change the Borrower shall have delivered to the Trustee an Opinion of Counsel to the effect that all filings and other actions necessary under the Uniform Commercial Code and other applicable law in order to preserve and protect such Lien and security interest following such name change have been made and taken.

(x) The Borrower shall provide the reports set forth in Section 8.05 hereof.

Section 2.03. Borrower's Tax Covenants. The Borrower represents and covenants that:

(a) The Borrower shall not take any action or omit to take any action which, if taken or omitted, respectively, would adversely affect the excludability of interest on the Tax-Exempt Bonds from the gross income, as defined in Section 61 of the Code, of the owner thereof for federal income tax purposes. The Borrower and the Issuer shall execute such amendments hereof and supplements hereto (and shall comply with the provisions thereof) as may, in the opinion of Bond Counsel, be necessary to preserve or perfect such exclusion. The Borrower shall comply with each specific covenant in this Section at all times prior to the last maturity of the Bonds, unless and until there shall have been delivered to the Trustee and the Issuer an opinion of Bond Counsel to the effect that failure to comply with such covenant shall not adversely affect the excludability of interest on the Tax-Exempt Bonds from the gross income, as

defined in Section 61 of the Code, of the owner thereof for federal income tax purposes, and thereafter such covenant shall no longer be binding upon Borrower.

(b) All representations, warranties, and certifications made by the Borrower in connection with the delivery of the Bonds on the closing date, including, but not limited to, those representations, warranties, and certifications contained in any certificate concerning tax-exempt status of the Tax-Exempt Bonds executed by the Borrower, are and shall be true, correct, and complete in all material respects.

(c) The Borrower represents, warrants, and covenants that:

(i) its purposes, character, activities, and methods of operation have not changed materially since its organization and are not materially different from the purposes, character, activities, and methods of operation contemplated at the time of its determination by the Internal Revenue Service to be an organization described in Section 501(c)(3) of the Code;

(ii) it has not and will not divert a substantial part of its corpus or income for a purpose or purposes other than the purpose or purposes for which it is organized or operated;

(iii) it has not operated, and will not operate, in a manner that would result in it being classified as an "action" organization within the meaning of Section 1.501(c)(3)-(1)(c)(3) of the Treasury Regulations, including, but not limited to, promoting or attempting to influence legislation by propaganda or otherwise as a substantial part of its activities;

(iv) none of its directors, officers, organizers or incorporators, or any Person controlled by it, or any other Person having a private or professional interest in the activities of it has acquired or received nor will such Persons be allowed to acquire or receive, directly or indirectly, without due compensation, goods, or services therefor, or any of the income or assets of the Borrower, in any form;

(v) it is not a "private foundation" within the meaning of Section 509(a) of the Code;

(vi) it has not received any indication or notice to the effect that its exemption from federal income taxation under Section 501(a) of the Code has been revoked or modified, or that the Internal Revenue Service is considering revoking or modifying such exemption, and such exemption is still in full force and effect;

(vii) the Borrower has timely filed and will timely file with the Internal Revenue Service all requests for determination, reports, and returns required to be filed by it to maintain its status as an organization described in Section 501(c)(3)

of the Code, and such requests for determination, reports, and returns have not omitted or misstated any material fact;

(viii) the Borrower has not devoted nor will it devote more than an insubstantial part of its activities in furtherance of a purpose other than an exempt purpose within the meaning of Section 501(c)(3) of the Code; and

(ix) the Borrower has not taken any action, nor knows of any action that any other Person has taken, nor knows of the existence of any condition which would cause the Borrower to lose its exemption from federal income taxation under Section 501(a) of the Code or cause interest on the Tax-Exempt Bonds to be includable in the income of the recipients thereof for federal income tax purposes.

(d) (i) The weighted average maturity of the Tax-Exempt Bonds, calculated in accordance with the Code, does not exceed 120% of the average reasonably expected economic life (or expected remaining economic life in the case of a refinancing) of the Facilities, calculated in accordance with Section 147(b) of the Code, financed or refinanced with the proceeds of the Tax-Exempt Bonds.

(ii) The Borrower shall be organized and shall conduct its operations in such a manner so as to qualify the Borrower as an organization described in Section 501(c)(3) of the Code.

(iii) The Borrower shall (or shall cause one or more other Exempt Persons to) own all portions of the Project at all times prior to the final maturity of the Tax-Exempt Bonds.

(e) The Borrower shall not use (or permit the use of) any proceeds of the Tax-Exempt Bonds, or any income from the investment thereof or any property financed or refinanced with such proceeds or income in any trade or business carried on by any Person which is not an Exempt Person or in any unrelated trade or business, as defined in Section 513(a) of the Code, of an Exempt Person or permit the direct or indirect loan of any such proceeds, income, or property to any Person other than an Exempt Person or to any Person which is an Exempt Person for use in an unrelated trade or business, as defined in Section 513(a) of the Code, if the amount of such proceeds, income, or property so used or loaned or portions thereof so used in the aggregate, when added to the cost of issuance financed directly or indirectly with Bond proceeds, exceeds 5% of the Net Proceeds of the Tax-Exempt Bonds. For purposes of this Subsection, property is considered to be "used" by a Person if:

(i) it is sold or otherwise disposed of, or leased, to such Person;

(ii) it is operated, managed, or otherwise physically employed, utilized, or consumed by such Person, excluding operation or management pursuant to an agreement which meets the guidelines set forth in Treasury Regulation Section 1.141-3(c), including any amendments or revisions thereto;

(iii) capacity in or output or service from such property is reserved or committed to such Person under a take-or-pay, output, incentive payment, or similar contract or arrangement;

(iv) such property is used to provide service to (or such service is committed to or reserved for) such Person on a basis or terms which are different from the basis or terms on which such service is provided (or committed or reserved) to members of the public generally; or

(v) substantial benefits and burdens of ownership of such property are otherwise effectively transferred to such Person;

but the investment of amounts held for the credit of any fund or account established under the Indenture relating to the Tax-Exempt Bonds in accordance with the applicable provisions thereof shall not constitute "use" of property or a "loan" of proceeds. For purposes of this Subsection, proceeds are considered to be "loaned" to a Person if:

(A) property financed or refinanced with proceeds of the Bonds or any income from the investment thereof is sold or leased to such Person in a transaction which creates a debt for federal income tax purposes;

(B) capacity in or service from such property is committed to such Person under a take-or-pay, output, or similar contract or arrangement; or

(C) indirect benefits, or burdens and benefits of ownership, of such property are otherwise transferred to such Person in a transaction which is the economic equivalent of a loan,

and the amount of any such "loan" is the cost of such property financed or refinanced with proceeds or investment income of the Tax-Exempt Bonds.

(f) The Borrower shall not use or permit the use of any proceeds of the Tax-Exempt Bonds or any income from the investment thereof:

(i) to provide any airplane, skybox, or other private luxury box, any facility primarily used for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off premises, or

(ii) to pay or otherwise finance costs of issuance of the Tax-Exempt Bonds (e.g., underwriting compensation, trustee and rating agency fees, printing costs, Issuer fees, and fees and expenses of counsel) in an amount which exceeds 2% of the Issue Price (exclusive of accrued interest) of the Tax-Exempt Bonds.

(g) The Borrower shall not take any action or omit to take any action with respect to the Gross Proceeds of the Tax-Exempt Bonds or of any amounts expected to be used to pay the principal thereof or the interest thereon which, if taken or omitted, respectively, would

cause any Tax-Exempt Bond to be classified as an "arbitrage bond" within the meaning of Section 148 of the Code.

(h) Except as provided in the Indenture and this Agreement, the Borrower shall not pledge or otherwise encumber, or permit the pledge or encumbrance of, any money, investment, or investment property as security for payment of any amounts due under the Agreement or the Tax-Exempt Promissory Note, shall not establish any segregated reserve or similar fund for such purpose and shall not prepay any such amounts in advance of the redemption date of an equal principal amount of Tax-Exempt Bonds, unless in each case in the opinion of Bond Counsel addressed to the Trustee and the Issuer such action will not adversely affect the excludability of interest on any Tax-Exempt Bond from the gross income, as defined in Section 61 of the Code, of the owner thereof for federal income tax purposes.

(i) The Borrower shall not, at any time prior to the final maturity of the Bonds, direct or permit the Trustee to invest Gross Proceeds in any Investment (or to use Gross Proceeds to replace money so invested), if as a result of such investment the Yield of all Investments acquired with Gross Proceeds (or with money replaced thereby) on or prior to the date of such investment exceeds the Yield of the Tax-Exempt Bonds to stated maturity, except as permitted by Section 148 of the Code and Treasury Regulations thereunder or as provided in the Tax Certificate dated the closing date delivered by the Issuer of the Tax-Exempt Bonds.

(j) Except to the extent permitted by Section 149(b) of the Code and the Treasury Regulations and rulings thereunder, neither the Issuer nor the Borrower shall take or omit to take any action which would cause the Tax-Exempt Bonds to be "federally guaranteed" in the meaning of Section 149(b) of the Code and the Treasury Regulations and rulings thereunder.

(k) The Borrower shall not direct or instruct the Trustee to invest Gross Proceeds of the Tax-Exempt Bonds in any manner which is inconsistent with the Indenture.

(l) Anything in this Agreement to the contrary notwithstanding, it is expressly understood and agreed by the parties hereto that the Issuer may rely conclusively on the truth and accuracy of any certificate, opinion, notice, representation or instrument furnished to the Issuer by the Trustee or the Borrower as to the existence of any fact or state of affairs required hereunder to be noticed by the Issuer. The Trustee may rely conclusively on the truth and accuracy of any certificate, opinion, notice, representation or instrument furnished to the Trustee by the Borrower as to the existence of any fact or statement of affairs solely within the knowledge of the Borrower and which is required to be noticed, represented or certified by the Borrower to the Trustee hereunder.

(m) The Borrower covenants and agrees that it will not use or permit the use of any funds provided by the Issuer hereunder or any other funds of the Borrower directly or indirectly, in a manner which would, or enter into, or allow any "related person" (as defined in Section 147(a)(2) of the Code) to enter into, any arrangement, formal or informal, for the purchase of the Tax-Exempt Bonds that would, or take or omit to take any action that would, to the knowledge of the Borrower, cause the Tax-Exempt Bonds to be an "arbitrage bond" within the meaning of Code Section 148 or "federally guaranteed" within the meaning of Section 149(b)

of the Code and the applicable regulations promulgated from time to time thereunder. The Borrower further covenants to comply with the covenants and procedures set forth in the Indenture and the Tax Certificate and to deposit in the Rebate Fund such amount as is required herein and in the Indenture. The Borrower covenants and agrees to pay to the Trustee on demand all sums necessary to retain or pay the fees and expenses of the Rebate Analyst.

Section 2.04. Borrower's Covenant to Comply with Charter. The Borrower covenants to comply fully and in all respects with the provisions of the Borrower's Charter so long as any Bonds remain Outstanding.

Section 2.05. Representations by Borrower to Provide Ongoing Disclosure. The Borrower hereby covenants to enter into a written undertaking for the benefit of the holders of the Bonds required by Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, § 240.15c2-12) (the "Rule") contemporaneously with the issuance of the Bonds which shall be assigned to the Trustee for the benefit of the Registered Owners and each Registered Owner shall be a beneficiary of this Section 2.05 and such undertaking with the right to enforce this Section 2.05 and undertaking directly against the Borrower.

Section 2.06. Borrower's Irrevocable Direction to the State. The Borrower hereby covenants and agrees that, in connection with the issuance of the Bonds, it shall direct the State to transfer all of its State Payments to the custody of the Trustee commencing after the closing. The Borrower agrees that such directions shall be renewed as necessary to ensure that all such State Payments shall be transferred by the State directly to the Trustee for so long a any of the Bonds remain outstanding, and that all such directions shall remain irrevocable so long as any obligations of the Borrower hereunder remain outstanding or unsatisfied. The Borrower further covenants and agrees that, from the date of occurrence of any Event of Default until the date on which no Events of Default exists, the Borrower shall direct the payers of all other Pledged Revenues to pay such Pledged Revenues directly to the Trustee. The Borrower also covenants and agrees that it will authorize direct deposit of State Payments directly to the Trustee and the Borrower will not revoke such authorization for so long as the Bonds are outstanding.

Section 2.07. Environmental Representations. The Borrower and its successors and assigns hereby represents and warrants:

(a) ***Condition of Facilities***: To the best of its knowledge, and after due inquiry, the Facilities, including all personal property, is free from contamination by Regulated Chemicals, including, but not limited to, friable asbestos, and there has not been thereon a release, discharge or emission, or a threat of release, discharge or emission, of any Regulated Chemical on, under, in, or about the Facilities, nor has any such Regulated Chemical migrated or threatened to migrate from other properties upon, about or beneath the Facilities.

(b) ***Previous Use of Facilities***: To the best of the its knowledge, and after due inquiry, neither the Borrower nor any previous owner, tenant, occupant or user of the Facilities, nor any other Person, has engaged in or permitted any operations or activities upon, or any use or occupancy of the Facilities, or any portion thereof, whether legal or illegal, accidental or intentional, for the purpose of or in any way involving the handling, manufacture, treatment,

storage, use, generation, release, discharge, refining, dumping or disposal of any Regulated Chemical, on, under, in or about the Facilities, nor has any such party transported any Regulated Chemical to, from or across the Facilities.

(c) ***Property Adjoining Facilities***: To the best of its knowledge, and after due inquiry, any adjoining property has not been used as a manufacturing, storage or disposal site for Regulated Chemicals nor is any other property adjoining the Facilities affected by a violation of Environmental Requirements.

(d) ***Compliance with Environmental Requirements***: To the best of its knowledge, and after due inquiry, the Facilities owned by the Borrower are in compliance with and has at all times been in compliance with all applicable Environmental Requirements and the Borrower has all permits and licenses required to be issued under the Environmental Requirements and is in full compliance with the terms and conditions of such permits and licenses; such permits and licenses are in full force and effect; and no changes exist in the facts or circumstances reported or assumed in the application for or granting of such permits or licenses.

(e) ***No Notice of Violations of Environmental Requirements***: The Borrower has not received any notice, whether written or oral, concerning the Facilities owned by the Borrower, for any alleged violation or requiring compliance of Environmental Requirements, whether or not corrected to the satisfaction of the appropriate authority, or notice or other communication concerning alleged liability for Environmental Damages in connection with the Facilities owned by the Borrower, and to the best of Borrower's knowledge there exists no investigation, administrative order, consent order and agreement, litigation, settlement or judgment, whether proposed, threatened, anticipated or in existence with respect to the Facilities owned by the Borrower.

(f) ***Survival of Representations and Warranties***: The representations and warranties set forth in this Section 2.07 shall survive the expiration or termination of the Borrower Documents, the payment of the Bonds, and the discharge of any obligations owed by the parties to each other and will survive any transfer of title to the Facilities, whether by foreclosure, or otherwise and shall not be affected by any investigation by or on behalf of the Issuer or the Trustee or any information which the Issuer or the Trustee may have or obtain with respect thereto.

Moreover, the Borrower does hereby and specifically represent and warrant that it has no affirmative knowledge or reason to believe that any condition, previous use, compliance or violation of Environmental Requirements are contrary to the description in Section 2.07(a), (b), (c), (d), and (e).

ARTICLE III

TERM OF THE AGREEMENT

This Agreement shall remain in full force and effect from the date of delivery hereof until such time as all of the payments on the Promissory Notes shall have been fully paid or provision

is made for such payment pursuant to the Indenture and all reasonable and necessary fees and expenses of the Trustee accrued and to accrue through final payment of the Promissory Notes, all fees and expenses of the Issuer accrued and to accrue through final payment of the Promissory Notes and all other liabilities of the Borrower accrued and to accrue through final payment of the Promissory Notes under this Agreement and the Indenture have been paid or provision is made for such payments pursuant to the Indenture; provided, however, notwithstanding any other provision hereof (a) the indemnification provisions of Sections 6.06 and 8.06 hereof and agreements contained in Section 10.04 hereof shall survive after the termination of the term of this Agreement; (b) all agreements, representations and certifications by the Borrower as to the exclusion from gross income of interest on the Bonds shall survive termination of the term hereof until the expiration of statutes of limitation applicable to the liability of the Registered Owners of the Bonds for federal and state income taxes with respect to interest on the Bonds; and (c) upon the defeasance of the Indenture, all such indemnification provisions shall be enforceable by the Issuer Indemnified Parties, and all such agreements, representations and certifications regarding the exclusion from gross income of the interest on the Bonds shall be enforceable by the Registered Owners of the Bonds, directly against the Borrower until the expiration of statutes of limitation applicable to the liability of the Registered Owners of the Bonds for federal and state income taxes with respect to the interest on the Bonds.

ARTICLE IV

THE PROJECT; ISSUANCE OF THE BONDS

Section 4.01. Agreement to Issue Series 2008 Bonds; Application of Bond Proceeds and Other Moneys. In order to provide funds to make the Loan for payment of the Cost of the Project, the Issuer will sell and cause to be delivered to the initial purchasers thereof the Series 2008 Bonds and will make such Loan and direct the Trustee to deposit or transfer:

(a) the proceeds of the Series 2008A Bonds as follows:

(i) into the Debt Service Reserve Fund the amount of $292,037.04;

(ii) into the Tax-Exempt Bond Proceeds Account in the Cost of Issuance Fund the amount of $0.00; and

(iii) into the Project Fund the amount of $305,955.85 with $3,000,000 transmitted to Title One Corporation to repay a portion of the Interim Loan; and

(b) The proceeds of the Series 2008B Bonds as follows:

(i) into the Taxable Bond Proceeds Account in the Cost of Issuance Fund the amount of $151,479.75; and

into the Debt Service Reserve Fund the amount of $6,612.96.

Section 4.02. [Reserved]

Section 4.03. [Reserved].

Section 4.04. Disbursements from the Cost of Issuance Fund. The Issuer has, in the Indenture, authorized and directed the Trustee to make payments from the Cost of Issuance Fund for the payment of issuance expenses as provided in this Section. Payments shall be made from the Cost of Issuance Fund only for paying the costs of legal, accounting, organization, marketing, trustee or other special services and other fees and expenses, incurred or to be incurred by or on behalf of the Issuer or the Borrower in connection with the issuance of the Bonds. The Issuer does not make any warranty either express or implied that the moneys in the Cost of Issuance Fund available for payment of the foregoing costs will be sufficient to pay such costs in full, and the Borrower agrees to pay costs in excess of the amount in the Cost of Issuance Fund from any moneys legally available for such purpose. Each payment out of the Cost of Issuance Fund shall be made only upon (i) receipt by the Trustee of an invoice from each payee in amounts not to exceed those as set forth in Exhibit B to the Indenture, or (ii) upon receipt by the Trustee of a requisition signed by the Borrower stating the payee, the amount to be paid and certifying that such cost was incurred in connection with the issuance of the Bonds.

Any amounts remaining on deposit in the Cost of Issuance Fund on October 31, 2008 shall be transferred by the Trustee to the Bond Interest Fund as provided in Section 3.13 of the Indenture.

Section 4.05. [Reserved].

Section 4.06. Obligation of the Borrower to Furnish Documents to Trustee. The Borrower agrees that the requisitions referred to in Sections 4.02 and 4.04 hereof must be furnished to the Trustee before the Trustee will disburse funds held under the Indenture.

Section 4.07. Investment of Moneys. Any moneys held as a part of the Funds shall be invested, reinvested and transferred to other Funds by the Trustee as provided in Article VI of the Indenture. In addition, the Borrower covenants that any money held as a part of the Funds shall be invested in compliance with the procedures established by the Tax Certificate to the extent required to comply with the covenants contained in Section 4.08 hereof. The Borrower shall provide to the Trustee at least every five (5) years from the date of issuance of the Bonds, commencing July 1, 2013, a certificate of the Borrower to the effect that (a) all requirements of the Agreement, the Indenture and the Tax Certificate with respect to the Rebate Fund have been met on a continuing basis, (b) the proper amounts have been and are on deposit in the Rebate Fund, and (c) timely payment of all amounts due and owing to the United States Treasury have been made. If the certifications required by either (b) or (c) above cannot be made, the certificate shall so state and shall be accompanied by either money of the Borrower together with a direction from the Borrower to the Trustee to either deposit such money to the Rebate Fund or to pay such money over to the United States Treasury, as appropriate, or directions from the Borrower to the Trustee to transfer investment income available in any Fund to the Rebate Fund or to the United States Treasury, as appropriate. The Borrower acknowledges the provisions of Section 6.03 of the Indenture which limit the amount of money to be so transferred from the Funds at its direction.

If the certificate described in the preceding paragraph is not delivered to the Trustee within 15 days of each July 1, commencing July 1, 2013, during the term of this Agreement, the Trustee shall so notify the Borrower and Issuer. The Trustee shall transfer moncys from other Funds as provided in Section 3.16 of the Indenture to the Rebate Fund or the United States Treasury.

Section 4.08. Tax Covenants. The Borrower covenants for the benefit of the Issuer and the Registered Owners of the Tax-Exempt Bonds that it will not take any action or omit to take any action with respect to the Tax-Exempt Bonds, the proceeds thereof, any other funds of the Borrower or any of the property of the Borrower, including the Project, if such action or omission (a) would cause the interest on the Tax-Exempt Bonds to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Code, or (b) would cause interest on the Tax-Exempt Bonds to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Code except to the extent such interest is required to be included in the adjusted current earnings adjustment applicable to corporations under Section 56 of the Code in calculating corporate alternative minimum taxable income. The foregoing covenant shall remain in full force and effect notwithstanding the payment in full or defeasance of the Tax-Exempt Bonds until the expiration of statutes of limitations applicable to the liability of the Registered Owners of the Tax-Exempt Bonds for federal and state income taxes with respect to interest on the Tax-Exempt Bonds.

The Borrower further covenants, represents and warrants that the procedures set forth in the Tax Certificate implementing the above covenant shall be complied with to the extent necessary under the Code to maintain the exclusion from gross income of interest on the Tax-Exempt Bonds for federal income tax purposes (except to the extent noted in the preceding paragraph) or to avoid the application of any penalties under the Code, subject to any applicable statute of limitations.

Section 4.09. Title Insurance. Within ten (10) days after the date of recordation of the Mortgage, the Trustee shall be provided with a mortgagee's loan title insurance policy insuring the Trustee's interest in and Lien against the Land, and the other property subject to the Mortgage, as described on Exhibit A hereto subject to Permitted Encumbrances, in an amount not less than the principal amount of the Bonds, a copy of which shall be delivered to the Trustee. Each such policy shall be in the form of a standard American Land Title Association Policy, as applicable, and may not permit the title insurer to purchase any Bonds in lieu of providing payment under the policy unless, upon purchase, such Bonds are cancelled. Upon the date of issuance of the Bonds, the Mortgage shall be recorded in the real property records of Canyon County and provide the Trustee with a perfected first priority Mortgage Lien interest in the Project and the other property subject to the Mortgage, subject to any Permitted Encumbrances.

Upon the execution by the Borrower of the Mortgage and its subsequent recording, and upon the execution and filing of UCC-1 financing statements or amendments thereto, the Trustee will have a valid first priority Lien on the Mortgaged Property (as defined in the Mortgage) and a valid security interest in the personal property subject to no Liens, charges or encumbrances

other than the Permitted Encumbrances, and the Borrower will take all necessary actions including filing continuation statements to preserve such Lien and security interest.

ARTICLE V

PAYMENT PROVISIONS

Section 5.01. Loan Payments and Other Amounts Payable.

(a) The Borrower shall pay (or cause to be paid) for repayment of the Loan until the principal of, premium, if any, and interest on the Bonds shall have been paid or provision for the payment thereof shall have been made in accordance with the Indenture, into the Revenue Fund on each Disbursement Date during the term of this Agreement, (i) commencing after the date of issuance of the Bonds, (after taking into consideration amounts then on deposit in the Bond Interest Fund) amounts sufficient to pay the interest on the Bonds on the next succeeding Interest Payment Date and then principal on the Bonds on the next succeeding Principal Payment Date. If the date of the State Payments changes by legislation or ortherwise, then Borrower agrees to abide by Trustee's determination of new Disbursement Dates and amounts under Section 3.22 of the Trust Indenture and agrees to pay the cost of any Management Consultant needed by Trustee to make such determination.

(b) On or before the mailing of any notice of redemption pursuant to Section 5.05 of the Indenture (other than a sinking fund redemption date), whether an optional redemption or mandatory redemption, the Borrower shall pay as repayment of the Loan for deposit into the Bond Principal Fund an amount of money meeting the definition of Protected Funds which, together with the payments made by the Borrower on its Promissory Notes then on deposit in the Bond Principal Fund, is sufficient to pay the principal of and premium, if any, on the Bonds called for redemption in an amount equivalent to the principal amount of the Promissory Notes being prepaid and for deposit into the Bond Interest Fund an amount of money which, together with the payments made by the Borrower on its Promissory Notes then on deposit in the Bond Interest Fund, is sufficient to pay the interest accrued to the redemption date of Bonds called for redemption in an amount equivalent to the principal amount of the Promissory Notes being prepaid.

(c) During the term of this Agreement, the Borrower shall pay or provide for the payment of all taxes and assessments, general or special, concerning or in any way related to the Facilities or any part thereof, and any other governmental charges and impositions whatsoever related to the Facilities, and premiums for insurance policies maintained on the Facilities as required by this Agreement.

(d) The Borrower agrees to pay or cause to be paid to the Trustee the reasonable and necessary fees and expenses of the Trustee, including its attorney fees and expenses, as and when the same become due, upon submission of a statement therefor; provided that the Borrower may, without creating a default hereunder, contest in good faith any such fees or expenses.

(e) The Borrower shall pay or cause to be paid to the Trustee for deposit to the Rebate Fund all amounts required to be paid pursuant to the Tax Certificate at the times and in the manner specified therein.

(f) The Borrower agrees to pay or cause to be paid to the Issuer the Issuer's Fee at closing, and the Issuer Annual Fee, all as provided in the Indemnification and Compensation Agreement, plus any amounts required to reimburse the Issuer for any expenses incurred by the Issuer, whether out-of-pocket or internal, in connection with this Agreement, the Indenture, the Bonds, the Tax Certificate, the Bond Purchase Agreement, the Project or any other instrument or action relating to the foregoing, including fees and disbursements of attorneys of the Issuer.

(g) The Borrower covenants to maintain the balance on deposit in the Repair and Replacement Fund at an amount not less than the Repair and Replacement Fund Requirement subject to the limitations found in Section 8.15 herein. If at any time the amount on deposit in the Repair and Replacement Fund is less than the Repair and Replacement Fund Requirement, the Trustee shall so notify the Borrower and the Borrower shall be required to restore the amount on deposit in the Repair and Replacement Fund to an amount equal to the Repair and Replacement Fund Requirement in three (3) equal installments to be paid on the next succeeding Disbursement Dates for State Payments in any August, October or November.

(h) The Borrower covenants to maintain the balance on deposit in the Debt Service Reserve Fund at an amount not less than the Debt Service Reserve Fund Requirement. If on any valuation date, the value of the Debt Service Reserve Fund (as determined pursuant to the Indenture) is less than the Debt Service Reserve Fund Requirement, upon notice from the Trustee of the amount of such deficit, the Borrower shall deposit such amount within five (5) Business Days of its receipt of such notice. If at any time the amount on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement due to a transfer of funds from such Fund because of a deficiency in the Bond Principal Fund or the Bond Interest Fund, the Trustee shall so notify the Borrower and the Borrower shall be required to restore the amount on deposit in the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Fund Requirement in three (3) equal installments to be paid on the next succeeding Disbursement Dates for State Payments in any August, October or November.

In the event the Borrower should fail to make or fail to cause to be made any of the payments required by this Section, the item or installment in default shall continue as an obligation of the Borrower until the amount in default shall have been fully paid, and the Borrower agrees to pay the same and, with respect to the payments required by subsections (a), (b), (d), (e), (f), (g) and (i) of Section 5.01 hereof, to pay interest at the highest rate of interest borne by any of the Bonds, or the maximum rate permitted by law if less than such rate.

Section 5.02. Pledge By Borrower. In fulfillment of its obligations hereunder, the Borrower hereby pledges to the payment of the Loan and the Promissory Notes securing such Loan, the following:

(i) all of the Borrower's right, title and interest in and to the Project, including all related additions, replacements, substitutions and proceeds for the purposes of securing such Loan;

(ii) all Pledged Revenues, including (without limitation) revenues, regardless of source, rentals, fees, third-party payments, receipts, donations, contributions or other income of the Borrower, to the extent permitted by the terms thereof and by law, including all the rights to receive such revenues (each subject to Permitted Encumbrances), all as calculated in accordance with sound accounting practices, proceeds derived from insurance, condemnation proceeds, accounts, contract rights and other rights and assets, whether now or hereafter owned, held or possessed by the Borrower, and all gifts, grants, bequests and contributions (including income and profits therefrom) to the extent permitted by the terms thereof and by law; and

(iii) any and all other interests in real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind specifically mortgaged, pledged or hypothecated, as and for additional security by the Borrower or by anyone on its behalf.

Section 5.03. Payees of Payments. The Loan Payments provided for in Section 5.01(a) hereof shall be paid in funds immediately available in the city in which the designated corporate trust office of the Trustee is located directly to the Trustee for the account of the Issuer and shall be deposited into the Bond Principal Fund or the Bond Interest Fund as appropriate. The payments to be made to the Trustee under Section 5.01(d) hereof shall be paid directly to the Trustee for its own use. The payments provided for in Section 5.01(e) hereof shall be paid to the Trustee for the account of the Issuer and deposited into the Rebate Fund. The payments to be made to the Issuer under Section 5.01(f) hereof shall be paid to the Trustee for further credit to the Issuer.

Section 5.04. Obligations of Borrower Hereunder Unconditional. Except as provided herein, the obligations of the Borrower to make the payments required hereunder and to perform and observe the other agreements on its part contained herein shall be absolute and unconditional. This Loan Agreement is a general obligation of the Borrower. The Borrower (a) will not suspend or discontinue, or permit the suspension or discontinuance of, any payments provided for herein, (b) will perform and observe all of its other agreements contained in this Agreement, the Mortgage and the Promissory Notes, and (c) except as provided in Article XI hereof, will not terminate this Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure to complete the Project, failure of consideration, eviction or constructive eviction, destruction of or damage to the Project, commercial frustration of purpose, or change in the tax or other laws or administrative rulings of or administrative actions by the United States of America or the State or any political subdivision of either, any failure of the Issuer to perform and observe any agreement, whether express or implied, or any duty, liability, or obligation arising out of or connected with this Agreement, whether express or implied, or any failure of the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Indenture, whether express or implied. The Borrower may at its own cost

and expense and in its own name or in the name of the Issuer, prosecute or defend any action or proceeding or take any other action involving third persons which the Borrower deems reasonably necessary in order to secure or protect its or its lessees' rights of possession, occupancy and use of the Project.

ARTICLE VI

MAINTENANCE, TAXES AND INSURANCE

Section 6.01. Maintenance and Modifications of Facilities by Borrower. The Borrower agrees that during the term of this Agreement the Facilities shall be operated and maintained, in compliance with all governmental laws, building codes, ordinances, and regulations and zoning laws as shall be applicable to the Facilities, unless the same are being contested in good faith by appropriate proceedings which operate to stay any action to foreclose or otherwise realize on any property of the Borrower. The Borrower agrees that during the term of this Agreement it will at its own expense (a) keep the Facilities in a safe condition required by law and (b) except to the extent the Borrower has determined that any portion of the Facilities is obsolete or not useful in its operations, keep the Facilities in good repair and in good operating condition, making from time to time all necessary repairs thereto (including external and structural repairs) and renewals and replacements thereof all of which shall be accomplished in a workmanlike manner in accordance with all applicable laws. The Borrower may dispose of portions of the Facilities that the Borrower determines to be obsolete or not useful to operations of the Facilities. The Borrower may also, at its own expense, make from time to time any additions, modifications or improvements to the Facilities (including modifications to the Facilities, if any) it may deem desirable for its purposes that do not substantially reduce its value; provided that all such additions, modifications and improvements made by the Borrower which are affixed to the Facilities shall become a part of the Facilities. The Borrower will not permit the removal of any personal property from the Facilities unless such personal property is obsolete, sold for fair market value or will be replaced with personal property of an equal or greater value. The Borrower will not permit any Liens, security interests or other encumbrances other than Permitted Encumbrances to be established or to remain against the Facilities for labor or materials furnished in connection with the Facilities or any additions, modifications, improvements, repairs, renewals or replacements made by it to the Facilities; provided that if the Borrower first notifies the Trustee of its intention to do so, the Borrower may, so long as no Event of Default has occurred and is continuing, diligently prosecute, in good faith, at its own expense, a contest of any mechanics' or other Liens filed or established against the Facilities and in such event may permit the items contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Facilities or any part thereof will be subject to loss or forfeiture, in which event the Borrower shall promptly pay and cause to be satisfied and discharged all such unpaid items. The Issuer will, at the expense of the Borrower, cooperate fully with the Borrower in any such contest. In the event that the Borrower shall fail to pay any of the foregoing items required by this Section to be paid by the Borrower, the Issuer or the Trustee may (but shall be under no obligation to) pay the same, and any amounts so advanced therefor by the Issuer or the Trustee shall become an additional obligation of the Borrower under this Agreement to the one making the advance, which amount the Borrower agrees to pay on demand together with interest thereon at a rate which shall be 3% per annum

above the highest rate of interest borne by any of the Bonds or the maximum rate permitted by law if less than such rate.

Section 6.02. Taxes, Other Governmental Charges and Utility Charges. The Borrower will pay, as the same become due, (a) all taxes and governmental charges of any kind whatsoever or payments in lieu of taxes that may at any time be lawfully assessed or levied against or with respect to the Facilities or any interest therein, or any machinery, equipment, or other property installed or brought by the Borrower therein or thereon which, if not paid, will become a Lien on the Facilities or a charge on the Pledged Revenues prior to or on a parity with the charge thereon under this Agreement, (b) all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Facilities and (c) all assessments and charges lawfully made by any governmental body for public improvements that may be secured by a Lien on the Facilities provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Borrower shall be obligated to pay only such installments as may have become due during the term of this Agreement.

The Borrower may, at its own expense, but only if no Event of Default hereunder has occurred and is continuing, diligently prosecute and in good faith contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges contested to remain unpaid during the period of such contest and any appeal therefrom if, in the Opinion of Counsel, the Facilities shall not be subject to loss or forfeiture. In the event that the Borrower is not able to obtain such Opinion of Counsel, such taxes, assessments or charges shall be paid promptly or secured by posting a bond equal to one and one half times the amount at issue with the Trustee in form satisfactory to the Trustee. The Issuer at the expense of the Borrower shall cooperate fully with the Borrower in any such contest. In the event that the Borrower shall fail to pay any of the foregoing items required by this Section to be paid by the Borrower, the Issuer or the Trustee may (but shall be under no obligation to) pay the same and any amounts so advanced therefor by the Issuer or the Trustee shall become an additional obligation of the Borrower payable to the one making the advance, which amount the Borrower agrees to pay on demand together with interest thereon at a rate which shall be 3% per annum above the highest rate of interest borne by the Bonds or the maximum rate permitted by law if less than such rate.

Section 6.03. Insurance Required; Insurance Company Ratings; Insurance Certificate to be Delivered to Trustee. Throughout the term of this Agreement, the Borrower shall keep, or cause to be kept, the Facilities insured against the following risks, paying as the same become due and payable all premiums with respect thereto:

(a) A mortgagee's title insurance policy in an amount equal to the original principal amount of the Bonds in a form acceptable to the Issuer, as required by Section 4.09 herein.

(b) Insurance against loss or damage to the Facilities and all improvements therein (including, during any period of time when the Borrower is making alterations, repairs or improvements to the Facilities, improvements and betterments coverage), all subject to standard form exclusions, with uniform standard extended coverage endorsement limited only as may be

provided in the standard form of extended coverage endorsement at the time in use in the State, in an amount equal to the full replacement value of the Facilities.

(c) Commercial general liability, professional liability and automobile liability insurance against claims arising in, on or about the Facilities, including in, on or about the sidewalks or premises adjacent to the Facilities, providing coverage limits not less than the coverage limits customarily carried by owners or operators of facilities of similar size and character within the State.

(d) Such other forms of insurance as are customary in the industry or as the Borrower is required by law to provide with respect to the Facilities, including, without limitation, any legally required worker's compensation insurance and disability benefits insurance.

All the insurance coverage required by this Section may be subject to deductible clauses in such amounts as are customary for facilities of similar size, type and character within the State.

All policies maintained (or caused to be maintained) by the Borrower pursuant to this Section shall be taken out and maintained with generally recognized, responsible insurance companies rated not less than "A" by A.M. Best, authorized in the State, which may include "captive" insurance companies or governmental insurance pools, selected by the Borrower. The insurance policies required by subsections (a), (b) and (c) of this Section shall name the Trustee, the Issuer and the Borrower as insureds as their respective interests may appear (provided that with respect to insurance maintained pursuant to subsections (b) and (d) of this Section and Section 4.09 herein, the Trustee shall also be named as a mortgagee under the terms of a standard Idaho mortgagee loss payable endorsement), and the Trustee shall also be named as an additional insured on the policy required by subsection (c) of this Section, and, provided further that all insurance proceeds for losses, and except for worker's compensation, fidelity insurance and liability insurance, shall be paid directly to the Trustee. Such policies or certificates of insurance shall (i) provide that (except as to insurance required pursuant to subsection (d) of this Section) the insurer will mail 30 days' written notice to the Issuer and the Trustee of any reduction in amount, material change in coverage or cancellation prior to expiration of such policy, and (ii) be satisfactory in all other respects to the Issuer.

The Borrower shall deliver to the Trustee (a) upon the commencement of the term of this Agreement, the certificate of insurance which the Borrower is then required to maintain pursuant to subsection (c), below, together with evidence as to the payment of all premiums then due thereon, (b) at least 30 days prior to the expiration of any such policies evidence as to the renewal thereof, if then required by this Section, and the payment of all premiums then due with respect thereto, and (c) promptly upon request by the Issuer or the Trustee, but in any case within 90 days after the end of each Fiscal Year, a certificate of an Authorized Representative of the Borrower setting forth the particulars as to all insurance policies maintained by the Borrower pursuant to this Section and certifying that such insurance policies are in full force and effect, that such policies comply with the provisions of this Section and that all premiums then due thereon have been paid.

Section 6.04. Application of Net Proceeds of Insurance. The Net Proceeds of the insurance carried pursuant to subsection (a) of Section 6.03 hereof shall be applied as provided in Section 7.01 hereof. The Net Proceeds of the insurance carried pursuant to subsection (b) of Section 6.03 hereof shall be applied as provided in Section 7.01 hereof. The Net Proceeds of insurance carried pursuant to subsections (c) and (d) of Section 6.03 hereof shall be applied toward extinguishment or satisfaction of the liability with respect to which such insurance proceeds have been paid.

Section 6.05. Advances by Issuer or Trustee. In the event the Borrower shall fail to maintain the full insurance coverage required by this Agreement or shall fail to keep the Facilities in the condition required hereby (except as otherwise herein permitted), the Issuer or the Trustee may (but shall be under no obligation to) take out the required policies of insurance and pay the premiums on the same, or make the required repairs, renewals and replacements; and all amounts advanced therefor by the Issuer or the Trustee shall become an additional obligation of the Borrower under this Agreement to the one making the advance, which amounts the Borrower agrees to pay on demand together with interest thereon at a rate which shall be 3% per annum above the highest interest rate borne by any of the Bonds or the maximum rate permitted by law if less than such rate.

Section 6.06. Environmental Indemnity. In addition to the indemnification set forth in Section 8.06 hereof:

(a) Borrower and its successors and assigns, shall and do hereby indemnify and hold harmless the Registered Owners, the Beneficial Owners and the Trustee, their successors, assigns, trustees, directors, officers, employees, agents, contractors, subcontractors, licensees, and invitees (collectively referred to in this Section 6.06 as "Indemnified Parties"), for, from and against any and all Environmental Damages that the Indemnified Parties may incur as well as any and all loss, costs, damages, exemplary damages, natural resources damages, Liens, and expenses, (including, but not limited to, attorneys' and paralegals' fees and any and all other costs incurred in the investigation, defense and settlement of claims) that Indemnified Parties may incur as a result of or in connection with the assertion against Indemnified Parties, or against all or a portion of the Facilities, of any claim, civil, criminal or administrative, which:

(i) arises out of the actual, alleged or threatened discharge, dispersal, release, storage, treatment, generation, disposal or escape of any Regulated Chemical, including, but not limited to, any solid, liquid, gaseous or thermal irritant or contaminant, including, but not limited to, smoke, vapor, soot, fumes, acids, alkalis, chemicals, medical waste and waste (including materials to be recycled, reconditioned or reclaimed); or

(ii) actually or allegedly arises out of the use of any Regulated Chemical, the existence or failure to detect the existence or proportion of any Regulated Chemical in the soil, air, surface water or groundwater, or the performance or failure to perform the abatement or removal of any Regulated Chemical or of any soil, water, surface water or groundwater containing any Regulated Chemical; or

(iii) arises out of the actual or alleged existence of any Regulated Chemical on, in, under, or affecting all or a portion of the Facilities; or

(iv) arises out of any misrepresentations of Borrower concerning any matter involving Regulated Chemicals or Environmental Requirements; or

(v) arises out of Borrower's failure to provide all information, make all submissions and filings, and take all steps required by appropriate government authority under any applicable environmental law, regulation, statute or program, whether federal, state or local, whether currently existing or hereinafter enacted.

Without prejudice to the survival of any other agreements of the Borrower hereunder, this indemnification shall survive any termination, payment, or satisfaction of the indebtedness and the termination of this Agreement, and any foreclosure or any other transfer of any kind of the Facilities and shall continue and survive *ad infinitum*.

Borrower's indemnification contained herein shall be effective not only with any existing Environmental Requirements affecting the Borrower, Indemnified Parties and/or the Facilities, but also for any hereinafter enacted environmental law, regulation, statute or program, whether federal, state or local affecting Borrower, Indemnified Parties and/or the Facilities.

Borrower's indemnification contained herein shall extend to any and all like claims which arise from the acts or omissions of any user, tenant, lessee, agent or invitee of Borrower.

The obligations under this Section shall not be affected by any investigation by or on behalf of Indemnified Parties, or by any information which Indemnified Parties may have or obtain with respect thereto.

Borrower's indemnification shall include the duty to defend any and all claims, and Indemnified Parties may participate in the defense of any claim without relieving Borrower of any obligation hereunder. This duty to defend shall apply and constitute an obligation of Borrower regardless of any challenge by Borrower to this provision, the indemnification contained herein, or any other provision of this Agreement. This duty to defend shall apply regardless of the validity of Borrower's indemnification, as may ultimately be determined by a court of competent jurisdiction.

Notwithstanding anything to the contrary contained in this Section 6.06, no indemnification shall be required for any Environmental Damage incurred solely as the result of the negligence or willful misconduct of the party seeking indemnification or Environmental Damage caused by or through the party seeking indemnification.

Section 6.07. Environmental Covenants.

(a) ***Use of Facilities.*** The Borrower will not intentionally or unintentionally conduct, or allow to be conducted, any business, operation, or activity on, under, or in the Facilities, or employ or use the Facilities or allow for it to be employed or used, to manufacture,

transport, treat, store, or dispose any Regulated Chemical which would violate or potentially violate Environmental Requirements, including, but not limited to, any action which would:

(i) bring the Borrower, or the Facilities, within the ambit of, or otherwise violate, the Resource Conservation and Recovery Act of 1976, as amended by the Solid and Hazardous Waste Amendments of 1984, 42 U.S.C. §§ 6901, *et seq.*;

(ii) cause, or allow to be caused, a release or threat of release, of hazardous substances on, under, in, or about the Facilities as defined by, and within the ambit of, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. §§ 9601, *et seq.*;

(iii) violate the Clean Air Act of 1970, as amended, 42 U.S.C. §§ 7401, *et seq.*, or other similar state, regional or local statute, law, regulation, rule or ordinance, including without limitation, the laws of the State, or any other statute providing for the financial responsibility for cleanup for the release or threatened release of substances provided for thereunder.

The Borrower will not do or permit any act or thing, business or operation, that materially increases the dangers, or poses an unreasonable risk of harm, or impairs, or may impair, the value of the Facilities, or any part thereof.

(b) ***Maintenance of Facilities.*** The Borrower shall maintain the Facilities free from contamination by Regulated Chemicals and shall not intentionally or unintentionally allow a release, discharge or emission, or threat of release, discharge or emission, of any Regulated Chemical on, under, in or about the Facilities, and shall not permit the migration or threatened migration from other properties upon, about or beneath the Facilities.

(c) ***Notice of Environmental Problem.*** Borrower (provided that the Borrower shall only forward to the Trustee those notices, letters, citations, orders, warnings, complaints, inquiries, claims or demands actually received by the Borrower) and/or any tenant and/or sublessee shall promptly provide a copy to Trustee, and in no event later than 15 days from Borrower's and/or any tenants' and/or sublessee's receipt or submission, of any notice, letter, citation, order, warning, complaint, inquiry, claim or demand that:

(i) the Borrower and/or any tenants or sublessees have violated, or are about to violate, any federal, state, regional, parish or local environmental, health, or safety statute, law, rule, regulation, ordinance, judgment or order;

(ii) there has been a release, or there is a threat of release, of any Regulated Chemical from the Facilities;

(iii) the Borrower and/or any tenants or sublessees may be or are liable, in whole or in part, for the costs of cleaning up, remediating, removing or responding to a release of any Regulated Chemical;

(iv) any portion of the Facilities is subject to a Lien in favor of any governmental entity for any liability, costs or damages, under Environmental Requirements arising from, or costs incurred by such governmental entity in response to, a release of any Regulated Chemical.

(d) ***Response Action.*** The Borrower shall take all appropriate responsive action, including any removal and remedial action ("Response Action"), in the event of a release, emission, discharge or disposal of any Regulated Chemical in, on, under or about the Facilities, so as to remain in compliance with the above, and to keep the Facilities free from, and unaffected by, Regulated Chemicals. The Borrower shall (i) provide Trustee, within 30 days after providing the notice required under Section 6.07(c) above, with a bond, letter of credit or similar financial assurance which is equal to the cost of the Response Action and which may be drawn upon by the Trustee for the purpose of completing the Response Action if an Event of Default occurs or if the Response Action is not completed within six (6) months of the issuance of the financial assurance and (ii) discharge any assessment, Lien or encumbrance which may be established on the Facilities as a result thereof.

(e) ***No Liens or Encumbrances.*** The Borrower shall prevent the imposition of any Liens or encumbrances against the Facilities for the costs of any response, removal, or remedial action or cleanup of any Regulated Chemicals. Should such a Lien or encumbrance be levied on the Facilities, the Borrower shall follow the procedure set forth in subsection (d) above.

(f) ***Compliance with Environmental Requirements.*** The Borrower shall carry on the business and operations at the Facilities to comply in all respects and will continue to remain in compliance with all applicable Environmental Requirements and maintain all permits and licenses required thereunder.

(g) ***Additional Environmental Reports.*** As long as there are any Bonds Outstanding, the Borrower shall provide the Trustee with a copy of any Environmental Report performed during that time.

Section 6.08. Additional Environmental Provisions.

(a) ***Right to Notify Agencies.*** To the extent the Trustee receives written notice, whether from the Borrower or any other party, stating that the Borrower is in violation of any environmental law, statute, regulation, ordinance, rule or order, whether federal, state, or local, or that there has been a release or threat of release of any Regulated Chemical from or upon the Facilities, and the Trustee determines that such notice requires notification to the respective governmental agency(ies), the Trustee retains the right to so notify the respective agency(ies). The Trustee agrees to make written demand upon the Borrower, as circumstances may require, to notify the respective agency(ies), however, the Trustee retains the right to separately notify the respective agency(ies), and the Borrower shall have no cause of action against the Trustee as a result of any such notification.

(b) Right of Inspection.

(i) Trustee at any time and from time to time, with reasonable cause and notice, either prior to or after the occurrence of any Event of Default hereunder may require the Borrower to submit to the Trustee within 90 days of either the notice required under Section 6.07(c) hereof or a written request from the Trustee, a written report of a site assessment and environmental audit ("Environmental Assessment"), in scope, form and substance, and prepared by an independent, competent and qualified engineer, satisfactory to the Trustee, showing that the engineer made all appropriate inquiry consistent with good commercial and customary practice, such that consistent with generally accepted engineering practice and procedure, no evidence or indication came to light which would suggest there was a release of substances on, under, in, or about any Facilities which could necessitate an environmental response action, and which demonstrates that the Facilities complies with, and does not deviate from, all applicable environmental statutes, laws, ordinances, rules and regulations, including any licenses, permits or certificates required thereunder, and that the Borrower is in compliance with, and has not deviated from, the representations and warranties set forth in Sections 2.07 and 6.07 hereof.

(ii) The Borrower hereby grants, and will cause any tenants or users of the Facilities to grant, to Trustee, its agents, attorneys, employees, consultants and contractors, upon reasonable notice, and under reasonable conditions established by Borrower, which do not impede the performance of the Environmental Assessment, an irrevocable license and authorization to enter upon and inspect the Facilities, and perform such sampling, tests, and analysis ("Tests") including without limitation, subsurface testing, soils and groundwater testing, and other tests which may physically invade the Facilities, as the Trustee or its agent determines is necessary.

(iii) Borrower will cooperate with the consultants and supply to the consultants such historical and operational information as may be reasonably requested by the consultants, together with any notices, permits or other written communications pertaining to violations of Environmental Requirements and any and all necessary information and make available personnel having knowledge of such matters as may be required by the Trustee, Trustee's agents, consultants and engineers to complete an Environmental Assessment.

(iv) Should the Borrower fail to perform an Environmental Assessment within the time period set forth in this Section 6.08(b)(i) hereof, Trustee shall have the right but not the obligation to retain an environmental consultant to perform said Environmental Assessment. Trustee shall have no liability for failure to retain such consultant.

(v) The cost of performing any Environmental Assessment shall be paid by the Borrower upon demand of Trustee and any such obligations shall be included in the indebtedness.

(c) ***Event of Default.*** If an Environmental Assessment reveals any violations of Environmental Requirements (other than violations, if any, revealed to the Issuer in writing prior to the date hereof or in any Environmental Assessment provided to the Issuer prior to the date hereof) or the Borrower receives a notice of a violation of Environmental Requirements, and the Borrower fails to cure the violation in the time period and the manner specified in Section 10.01(c) hereof, such action will constitute an Event of Default.

(d) ***No Assumption of Risk.*** The Trustee's rights under this Section shall be exercised by it in its sole discretion and not for the benefit of the Borrower. The Trustee shall have no obligation (unless directed and indemnified as provided in the Indenture) to enter into the Facilities thereon or to take any other action which is authorized by this Article for the protection of its security interest. The Borrower specifically agrees and acknowledges that any action permitted under this Section shall not be construed to be the management or control of the Facilities by the Trustee.

ARTICLE VII

DAMAGE, DESTRUCTION AND CONDEMNATION

Section 7.01. Damage, Destruction and Condemnation. In the event of a casualty or condemnation with respect to the Facilities, and so long as no Event of Default exists and is continuing, the proceeds from any insurance policy or the proceeds of any condemnation award resulting from such casualty or condemnation, shall be used to repair or replace the portion of the Facilities damaged, destroyed or taken or to prepay the Loan in accordance with the terms hereof in accordance with the following provisions:

(a) In the event of a casualty or condemnation that results in an award less than or equal to $100,000 (which amount shall be increased as of each July 1 by a percentage equal to the past year's increase in the Consumer Price Index for Ada County (the "CPI Adjustment") as provided by the Borrower to the Trustee by evidence reasonably acceptable to the Trustee) from any insurance policy or condemnation awards, such proceeds shall be paid directly to the Borrower to provide for the repair, replacement or restoration of the Facilities to substantially the same condition as it was prior to such damage, destruction or condemnation.

(b) Whenever such Net Proceeds from any insurance policy or condemnation award are greater than $100,000 (plus the applicable CPI Adjustment), such Net Proceeds shall be paid to the Trustee and held in the Repair and Replacement Fund to be applied to repair, replace or restore the Facilities or, if the Borrower chooses not to repair or rebuild the Facilities per subsection (c) hereof, to the prepayment of the Loan as provided in Section 7.02. The Net Proceeds deposited into the Repair and Replacement Fund from such insurance policy or condemnation award, but excluding those deposits required by paragraph FIFTH of Section 3.22 of the Indenture, shall be disbursed by the Trustee periodically at the request of the Borrower for the repair, restoration or replacement of the Facilities upon the receipt by the Trustee from the Borrower of (i) a Consulting Architect's Certificate which substantially states that such repairs, replacements or restorations will restore the Facilities to substantially its original condition, will be completed in accordance with plans and specifications previously provided to the Trustee, and that such repairs, replacements or restorations when completed in accordance with the plans and

specifications previously furnished to the Trustee will comply with all applicable statutes, codes and regulations; (ii) a certificate of an Authorized Representative of the Borrower stating that sufficient moneys are available in the Repair and Replacement Fund to pay for such repair, restoration or replacements to be completed and together with other available Pledged Revenues, to pay debt service on the Bonds and Operating Expenses of the Facilities during the restoration period; (iii) requisitions and certificates from the Borrower substantially similar to those specified in a disbursing agreement; (iv) applicable Lien waivers; (v) a guaranteed maximum price construction contract; and (vi) evidence that the Borrower has acquired all permits and licenses necessary for such construction; and, if such net proceeds are in excess of $250,000, in addition to those requirements listed in (i) through (vi) above, (A) an endorsement to the applicable title insurance policy insuring the continued priority of the Lien of the Mortgage; and (B) an opinion of Bond Counsel to the effect that neither such repairs, replacements nor restorations nor such use of such casualty or condemnation proceeds adversely affects the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds. The Trustee shall retain 5% of the requested disbursements to be disbursed upon final completion of the repairs, replacements, restorations or improvements as certified by the Consulting Architect and receipt of certificates of occupancy, waivers of Liens and, if such net proceeds are in excess of $250,000, an endorsement to the title policy for the Facilities insuring the continued priority of the Mortgage. If at any time during the restoration, the insurance or casualty proceeds are less than the estimated costs to restore, repair or replace the Facilities, the Borrower shall provide the Trustee with cash or cash equivalents in an amount equal to the shortfall. If after completion of any such repairs, replacements, or improvements any funds remain in the Repair and Replacement Fund which exceed the Repair and Replacement Reserve Requirement, the remaining funds shall be transferred by the Trustee to the Bond Interest Fund and Bond Principal Fund, accordingly, and used to prepay the Loan and to redeem Bonds pursuant to the provisions of Section 7.02 of this Agreement and Section 5.02 of the Indenture. Notwithstanding the above provisions, all proceeds of business interruption insurance shall be paid to the Trustee and deemed to be Pledged Revenues for purposes of this Agreement, including, without limitation, Section 5.01 hereof.

(c) Notwithstanding any of the foregoing, if net proceeds from the casualty or condemnation of all or any portion of the Facilities exceed $100,000, and the Loan is not otherwise to be prepaid pursuant to Section 7.02 hereof, the Borrower shall immediately notify the Trustee and the Beneficial Owners regarding such casualty or condemnation and shall, no later than 90 days following the occurrence of the events resulting in the casualty or condemnation, notify the Trustee in writing whether or not the Borrower intends to repair and/or rebuild the Facilities. If the Borrower does not intend to repair and/or rebuild the Facilities, the Trustee shall cause such insurance proceeds to be used to prepay the Loan as provided in Section 7.02 hereof. If the Borrower intends to repair and/or rebuild the Facilities, said notice from Borrower shall contain the following additional information, together with a statement from the Borrower certifying to the accuracy of such information:

(i) a description of the damaged, destroyed or taken portion of the Facilities;

(ii) the estimated time to complete repair, replacement or restoration of the damaged, destroyed or taken portion of the Facilities, as determined by a qualified independent contractor retained by the Borrower;

(iii) the total estimated cost of such replacement, repair or restoration, as determined by a qualified independent contractor retained by the Borrower; and

(iv) the source of funds the Borrower has available (including, but not limited to, insurance proceeds), to complete the repair, replacement or restoration and to make payments due under this Agreement during the period of repair, replacement or restoration.

Section 7.02. Mandatory Prepayment from Insurance or Condemnation Proceeds. The Promissory Notes are subject to mandatory prepayment as a whole or in part at the principal amount thereof plus accrued interest thereon to the date of prepayment, but without premium, from the Net Proceeds of any insurance policy or condemnation award remaining after the repair, replacement, or improvement of the Facilities, if one or more of the events set forth in Section 5.02 of the Indenture are applicable to the Borrower and Bonds are required to be redeemed pursuant to Section 5.02 of the Indenture. The prepayment date shall be the earliest practicable dated selected by the Trustee and any such prepayment shall be applied as provided in Section 5.02 of the Indenture.

Section 7.03. [Reserved].

Section 7.04. No Change in Loan Payments; No Liens. All buildings, improvements and equipment acquired in the repair, rebuilding or restoration of the Project shall be deemed a part of the Project and shall be available for use and occupancy by the Borrower, without the payment of any payments hereunder other than the Loan Payments and other payments required to be made under this Agreement, to the same extent as if they were specifically described herein; provided that no buildings, improvements or equipment shall be acquired subject to any Lien or encumbrance other than Permitted Encumbrances.

Section 7.05. Investment of Net Proceeds. Any Net Proceeds of insurance payments or condemnation awards held by the Trustee pending restoration, repair or rebuilding shall be invested in Investment Obligations in the same manner as provided in Section 6.01 of the Indenture. Any earnings or profits on such investments shall be considered part of the Net Proceeds.

ARTICLE VIII

SPECIAL COVENANTS

Section 8.01. No Warranty of Condition or Suitability by the Issuer. The Issuer makes no warranty, either express or implied, as to the Project or that it will be suitable for the Borrower's purposes or needs or that the proceeds of the Bonds will be sufficient to pay the Cost of the Project.

Section 8.02. Consolidation, Merger, Sale or Conveyance. The Borrower agrees that during the term of this Agreement it will maintain its corporate existence, will continue to be a nonprofit corporation duly qualified to do business in the State, will not merge or consolidate with, or sell or convey, except as provided in Section 8.11 hereof, all or substantially all of its assets to, any Person unless the provisions of (a) and (b) below have been met:

(a) with respect to Borrower;

(i) no Event of Default has occurred and is continuing and

(ii) Borrower first acquires the consent of the Issuer to such transaction, provides to the Trustee notice of its intent at least 90 days in advance of such consolidation, merger, sale or conveyance;

(iii) Borrower shall provide the Issuer and the Trustee with an opinion of Bond Counsel acceptable to the Issuer to the effect that such merger, consolidation, sale or conveyance, would not adversely affect the validity of any of the Bonds or the exclusion from gross income for federal income tax purposes of interest on any tax-exempt Bonds;

(iv) Borrower shall provide the Issuer and the Trustee with an Opinion of Counsel to the Borrower (which may be rendered in reliance upon the Opinion of Counsel to such other corporation), stating that none of the other corporations which are a party to such consolidation, merger or transfer has any pending litigation other than that arising in the ordinary course of business or, has any pending litigation which might reasonably result in a substantial adverse judgment. For the purposes of the preceding sentence, the term "substantial adverse judgment" shall mean a judgment in an amount which exceeds the insurance or reserves therefor by a sum which is more than 2% of the aggregate net worth of the resulting, surviving or transferee corporation immediately after the consummation of such consolidation, merger or transfer and after giving effect thereto;

(v) The Borrower, in the case of a consolidation, merger, sale or conveyance, shall provide evidence to the Trustee and the Issuer that the entity can continue to operate the Project as a charter school in accordance with Title 33, Chapter 52 of the Idaho Code, as amended and that the entity is entitled to receive the State Payments.

(b) and, with respect to the acquirer of such assets or the entity with which it shall be consolidated or the resulting entity in the case of a merger (the "Successor"):

(i) the Successor provides to the Trustee a certificate of an authorized representative, accompanied by a confirming Accountant's Certificate, to the effect that:

(1) the combined Maximum Annual Debt Service for outstanding Long-Term Indebtedness of the Successor immediately following the merger, consolidation, or acquisition is equal to or less than 10% of the Pledged Revenues of the Borrower and the acquirer of such assets or the entity with which it shall be consolidated or the resulting entity in the case of a merger, as the case may be, as determined in their most recent budget(s); or

(2) the Net Income Available for Debt Service of the Borrower and the acquirer of such assets or the entity with which it shall be consolidated or the resulting entity in the case of a merger, as the case may be, as determined in their most recent budget(s) must be sufficient to pay an amount representing not less than 120% of the combined Maximum Annual Debt Service for currently outstanding Long-Term Indebtedness of the Successor.

(ii) the Successor shall assume in writing the performance and observance of all covenants and conditions of this Agreement; and

(iii) the Successor shall deliver to the Trustee within 30 days of the close of such transaction, copies of all documents executed in connection therewith, one document of which shall include an Opinion of Counsel to the Borrower that all conditions in this Agreement have been satisfied and that all liabilities and obligations of the Borrower under the Borrower Documents shall become obligations of the Successor; provided, however, the Borrower shall not be released from the same.

Section 8.03. Further Assurances. The Issuer and the Borrower agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the intention of or facilitating the performance of this Agreement, subject, however, to the terms and conditions of Section 10.05 of the Indenture.

Section 8.04. Audits. The Borrower agrees that it will have its books and records audited annually, commencing with the Fiscal Year ending June 30, 2008, in accordance with State law as soon as practicable after the close of such Fiscal Year, and shall furnish in accordance with the requirements set forth below in Section 8.05 to the Issuer, the Trustee and the Dissemination Agent, a copy of the audit report accompanied by a certificate signed by an Authorized Representative of the Borrower setting forth, to the best of the Authorized Representative's knowledge, whether or not the Borrower currently is, or has been during such Fiscal Year, in default of the performance of any covenant contained in the Borrower Documents and if so, specifying such default. The Borrower will notify the Issuer, the Registered Owners and the Trustee in writing of a change in its Accountant stating the reasons for such change.

Section 8.05. Financial Statements; Reports; Annual Certificate.

(a) ***Maintenance of Books and Accounts.*** The Borrower agrees that it will maintain and make available to the Beneficial Owners, the Issuer and the Trustee proper books

of records and accounts of all of its operations with full, true and correct entries of all of its dealings substantially in accordance with practices generally used for public school accounting and such other data and information as may reasonably be requested by the Issuer, the Beneficial Owners and the Trustee from time to time.

(b) ***Financial Reports.*** The Borrower shall provide the Trustee the following information:

(i) simultaneously with delivery to the State or the DOE, a copy of the Borrower's adopted annual budget for the present Fiscal Year;

(ii) simultaneously with delivery to the DOE, a copy of the Borrower's annual financial report;

(iii) a copy of revisions, if any, to the Borrower's annual budget as approved by its governing board within 30 days of adoption;

(iv) on February 15, May 15 and July 15, a copy of the monthly reports received from the State indicating the amount of the Borrower's State Payments for such quarter (which may consist of copies of DOE forms showing amounts due to the Borrower);

(v) at least once per quarter, unaudited financial statements for the previous quarter reflecting revenues and expenses in comparative form with the Borrower's operating budget as submitted by the Borrower to its governing board; and

(vi) within 30 days after completion of the Borrower's annual audit, a copy of the audited financial statements of the Borrower for such Fiscal Year, together with a copy of any management letter delivered by the auditors in connection with such financial statements as filed with the DOE (items (i) through (vi) collectively referred to herein as the "Reports").

The Trustee shall transmit the information contained in (i) through (vi) above to the Registered Owners and any Beneficial Owner requesting such in writing and certifying to the Trustee its beneficial ownership of Bonds. The Trustee shall have no duty hereunder regarding such information other than to retain any such information that it receives and to transmit same in accordance herewith.

(c) ***Enrollment Reports.*** Simultaneously with its delivery to the DOE, the Borrower shall provide the Dissemination Agent and the Trustee with a copy (which may be by electronic transfer) of each report on enrollment, headcount, membership, attendance and similar statistics provided to the DOE.

The Trustee shall transmit the information contained in (c) above to the Registered Owners and any Beneficial Owner requesting such in writing and certifying to the Trustee its

beneficial ownership of Bonds. The Trustee shall have no duty regarding such information other than to retain any such information that it receives and to transmit same in accordance herewith.

The Borrower shall provide the Dissemination Agent with a copy of every notice, report, certificate, opinion or other document required to be provided to the Trustee or to any Nationally Recognized Municipal Securities Information Repository at the same time required to be delivered to such party.

(d) ***Borrower Report.*** Further, the Borrower will deliver to the Trustee and the Issuer within six (6) weeks after the end of the Borrower's Fiscal Year a certificate executed by the Borrower's president or chief financial officer stating that:

(i) A review of the activities of the Borrower during such Fiscal Year and of performance hereunder has been made under his/her supervision; and

(ii) He/She is familiar with the provisions of this Agreement and the Tax Certificate and to the best of his/her knowledge, based on such review and familiarity, the Borrower has fulfilled all of its obligations hereunder and thereunder throughout the Fiscal Year, and there have been no defaults under this Agreement or the Tax Certificate or, if there has been a default in the fulfillment of any such obligation in such Fiscal Year, specifying each such default known to him/her and the nature and status thereof and the actions taken or being taken to correct such default.

(e) ***Charter Contract Report.*** Within two weeks of receipt from the Authorizer, the Borrower will deliver to Trustee and Issuer any notice or allegation of a violation of the Charter Contract.

(f) ***Educational Testing Report.*** Simultaneously with delivery to the Authorizer or the State, and in any event within 30 days of receipt, the Borrower will deliver to the Dissemination Agent and the Trustee the result of any educational testing required by State or federal law.

Section 8.06. Release and Indemnification Covenants.

(a) The Borrower agrees to pay, defend, protect, indemnify, and hold each of the Issuer Indemnified Parties and the Trustee, its officers, directors, employees and agents (the "Trustee Indemnified Parties") harmless for, from and against (i) any and all Liabilities directly or indirectly arising from or relating to the Loan, this Agreement, the Project, the Mortgage, and the Tax Certificate, and (ii) any and all Liabilities directly or indirectly arising from or relating to the Bonds, the Indenture, or any document related to the issuance and sale of the Bonds, including, but not limited to, the following:

(i) Any injury to or death of any person or damage to property in or upon the Project or growing out of or connected with the use, non-use, condition, or occupancy of the Project or any part thereof;

(ii) Violation of any agreement, covenant, or condition of any of the Borrower Documents;

(iii) Violation of any agreement, contract, or restriction relating to the Project;

(iv) Violation of any law, ordinance, or regulation affecting the Project or any part thereof or the ownership, occupancy, or use thereof;

(v) the issuance and sale of the Bonds or any of them; and

(vi) Any statement, information, or certificate furnished by the Borrower to the Issuer or the Trustee which is misleading, untrue, incomplete, or incorrect in any respect.

(b) The Borrower also agrees to pay, defend, protect, indemnify, and hold each of the Issuer Indemnified Parties and the Trustee Indemnified Parties harmless for, from, and against any and all Liabilities directly or indirectly arising from or relating to (i) any errors or omissions of any nature whatsoever contained in any legal proceedings or other official representation or inducement made by or to the Issuer pertaining to the Bonds, and (ii) any fraud or misrepresentations or omissions contained in the proceedings of the Issuer relating to the issuance of the Bonds or pertaining to the financial condition of the Borrower which, if known to the original purchaser of the Bonds or the Underwriter, might be considered a factor in such Person's decision to purchase the Bonds; provided, however, nothing in this subsection shall be deemed to provide the Issuer with indemnification for the Issuer's omissions or misstatements contained in the Limited Offering Memorandum under the captions "ISSUER" and "LITIGATION," as it relates to the Issuer.

(c) Paragraphs (a) and (b) above are intended to provide indemnification to each Issuer Indemnified Party and Trustee Indemnified Party for his or her active or passive negligence or misconduct; provided, however, nothing in paragraphs (a) and (b) above shall be deemed to provide indemnification to any Issuer Indemnified or any Trustee Indemnified Party with respect to any Liabilities arising from the successful allegation of fraud, negligence, or willful misconduct of such party.

(d) Any party entitled to indemnification hereunder shall notify the Borrower of the existence of any claim, demand, or other matter to which the Borrower's indemnification obligation applies, and shall give the Borrower a reasonable opportunity to defend the same at its own expense and with counsel satisfactory to the Issuer Indemnified Party and Trustee Indemnified Party, as applicable, provided that the Issuer Indemnified Party and Trustee Indemnified Party shall at all times also have the right to fully participate in the defense. If the Issuer Indemnified Party or Trustee Indemnified Party is advised in an Opinion of Counsel that there may be legal defenses available to either of them which are different from or in addition to those available to the Borrower or if the Borrower shall, after receiving notice of the Borrower's indemnification obligation and within a period of time necessary to preserve any and all defenses to any claim asserted, fails to assume the defense or to employ counsel for that purpose satisfactory to the Issuer Indemnified Party and Trustee Indemnified Party, as applicable, the

Issuer Indemnified Party and Trustee Indemnified Party, as applicable, shall have the right, but not the obligation, to undertake the defense of, and to compromise or settle the claim or other matter on behalf of, for the account of, and at the risk of, the Borrower. The Borrower shall be responsible for the reasonable counsel fees, costs, and expenses of the Issuer Indemnified and Trustee Indemnified Party in conducting its defense.

Notwithstanding the foregoing, the Borrower shall not be considered an "Indemnified Party" for purposes of this Section.

Section 8.07. Authority of Authorized Representative of the Borrower. Whenever under the provisions of this Agreement or the Indenture the approval of the Borrower is required, or the Issuer or the Trustee is required to take some action at the request of the Borrower, such approval or such request shall be made by the Authorized Representative of the Borrower unless otherwise specified in this Agreement or the Indenture. The Issuer or the Trustee shall be authorized to act on any such approval or request and the Borrower shall have no complaint against the Issuer or the Trustee as a result of any such action taken in accordance with such approval or request. The execution of any document or certificate required under the provisions of this Agreement or the Indenture by an Authorized Representative of the Borrower shall be on behalf of the Borrower and shall not result in any personal liability of such Authorized Representative.

Section 8.08. Authority of Authorized Representative of the Issuer. Whenever under the provisions of this Agreement or the Indenture the approval of the Issuer is required, or the Borrower or the Trustee is required to take some action at the request of the Issuer, such approval or such request shall be made by the Authorized Representative of the Issuer unless otherwise specified in this Agreement or the Indenture. The Borrower or the Trustee shall be authorized to act on any such approval or request and the Issuer shall have no complaint against the Borrower or the Trustee as a result of any such action taken in accordance with such approval or request. The execution of any document or certificate required under the provisions of this Agreement or the Indenture by an Authorized Representative of the Issuer shall be on behalf of the Issuer and shall not result in any personal liability of such Authorized Representative.

Section 8.09. Licenses and Qualifications. The Borrower will do, or cause to be done, all things necessary to obtain, renew and secure all permits, licenses and other governmental approvals and to comply, or cause its lessees to comply, with such permits, licenses and other governmental approvals necessary for operation of the Project as a charter school (subject, however, to Section 8.11 hereof).

Section 8.10. Right to Inspect. Following reasonable notice to the Borrower, at any and all reasonable times during business hours, the Trustee, the Issuer, and their duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right fully to inspect the Facilities, including all books and records of the Borrower (excluding records the confidentiality of which may be protected by law), and to make such copies and memoranda from and with regard thereto as may be desired; provided, however, that they shall maintain these books and records in confidence unless required by applicable law to do otherwise and it is necessary to distribute the information to some other third party under applicable law.

Section 8.11. Lease or other Disposition of the Facilities. The Borrower shall have the right to lease all or any part of the Facilities; provided, however, that the terms and provisions of any future leases will allow the Borrower to comply with the provisions of this Agreement and contain the restrictions upon the use of the Project contained in Section 8.12 of this Agreement, and, with respect to any lease the annual rental under which is equal to or greater than 5% of the unrestricted revenues of the Borrower for the most recent Fiscal Year or, when added to the annual rental payable under all other leases of the Facilities then in force is equal to or greater than 10% of the unrestricted revenues of the Borrower for the most recent Fiscal Year, the written consent of the Issuer shall have been obtained; and provided further that any future leases will provide for rental payments to be made directly to the Trustee to the extent of then current payments required under Section 5.01(a) hereof. Other than leases permitted by this Section or as provided in Section 8.02 hereof, the Borrower agrees that it will not sell or otherwise dispose of the Facilities.

Section 8.12. Nonsectarian Use. The Borrower acknowledges that in order for the Bonds to be validly issued, it is necessary that the requirements of the United States Constitution and the Constitution of the State with respect to the establishment and free exercise of religion be satisfied. The Issuer has been advised by Bond Counsel that under the law in effect as of the date of issue of the Bonds and as interpreted by the courts, the financing of facilities for a pervasively sectarian school or the financing of nonsecular facilities (e.g., places of religious worship) could be in violation of these constitutional requirements. the Borrower covenants that it will not operate the charter school in a pervasively sectarian manner for so long as the Bonds are outstanding and will not use the proceeds of the Bonds to acquire, construct, install, or refinance any facilities which are intended to be used, other than a *de minimis* amount, for sectarian purposes. The Borrower will comply with all applicable state and federal laws concerning discrimination on the basis of race, creed, color, sex, sexual orientation, national origin, or religious belief and will respect, permit, and not interfere with the religious beliefs of persons working for the Borrower. The Borrower may rely upon the Opinion of Counsel acceptable to the Issuer in order to determine whether it is in compliance from time to time with the covenants contained in this paragraph.

Section 8.13. Limitations on Incurrence of Additional Indebtedness. The Borrower shall be precluded from incurring additional Indebtedness secured by Liens on the Facility or the Pledged Revenues that are senior to the Mortgage on the Facility and the security interest in the Pledged Revenues granted by this Agreement or the Indenture. The Borrower may incur other Indebtedness secured by the Mortgage on the Project and the security interest in the Pledged Revenues granted by this Agreement *only* upon providing to the Trustee a certificate of an Authorized Representative of the Borrower, accompanied by a confirming Accountant's Certificate, to the effect that (i) the requirements of Section 2.11 of the Indenture have been met, but this clause (i) applies only if the other Indebtedness takes the form of Additional Bonds, and (ii) either:

(a) the combined Maximum Annual Debt Service for outstanding Long-Term Indebtedness related to the Facilities and the Long-Term Indebtedness related to the Facilities

proposed to be incurred is equal to or less than 10% of the Pledged Revenues as determined in the most recent budget adopted by the Board and submitted to the DOE; or

(b) the Net Income Available for Debt Service as determined in the most recent budget adopted by the Board and submitted to the DOE must be sufficient to pay an amount representing not less than 120% of the combined Maximum Annual Debt Service for currently outstanding Long-Term Indebtedness related to the Facilities and the Long-Term Indebtedness related to the Facilities proposed to be incurred .

Indebtedness subordinate to the obligations of the Borrower under this Agreement and liens on the Project, Pledged Revenues or other assets of the Borrower securing such subordinate indebtedness, so long as same are subordinate to the Mortgage and obligations under this Agreement, are permitted by this Agreement.

Section 8.14. Minimum Fund Balance/Net Asset Covenants. The Borrower hereby covenants that, so long as any Bonds remain Outstanding, it will:

(a) maintain an unrestricted fund balance/net asset balance in its operating fund which equals not less than an amount calculated as a percentage of Operating Expenses for the prior Fiscal Year as follows:

(i) Such percentage shall be 5.0% for any Fiscal Year if, in the Fiscal Year immediately preceding such Fiscal Year, the total of the Maximum Annual Debt Service plus any similar lease-purchase or loan payment obligations of the Borrower were equal to or less than 10% of Pledged Revenues;

(ii) Such percentage shall be 7.5% for any Fiscal Year if, in the Fiscal Year immediately preceding such Fiscal Year, the total of the Maximum Annual Debt Service plus any similar lease-purchase or loan payment obligations of the Borrower were greater than 10% but less than or equal to 15% of Pledged Revenues; and

(iii) Such percentage shall be 10.0% for any Fiscal Year if, in the Fiscal Year immediately preceding such Fiscal Year, the total of the Maximum Annual Debt Service plus any similar lease-purchase or loan payment obligations of the Borrower were greater than 15% of Pledged Revenues; and

(b) maintain cumulative unrestricted cash reserves and/or access to Short-Term Debt sufficient to meet all accrued and unrestricted salary obligations of the Borrower.

Each of the covenants made in this Section 8.14 shall be tested as of June 30 of each year based on the results of the annual audit of the Borrower for such Fiscal Year upon the release of such audit. If on any testing date the Borrower's minimum fund balance is below that required as described above, the Borrower shall retain on an annual basis 50% of the Excess Net Revenues until such time as the Borrower is in compliance with the minimum fund balance; provided, however, that the Borrower is not required to retain an amount which would cause it to exceed the minimum fund balance as described above.

In the event that either:

(i) the Borrower is unable to comply with the requirements of the above covenants within 24 months of the initial non-compliance, or

(ii) Net Income Available for Debt Service as determined by the Borrower's most recent audited financial statements is less than 110% of the combined Maximum Annual Debt Service for currently outstanding Long-Term Indebtedness of the Borrower, and Net Income Available for Debt Service does not increase to at least 110% of combined Maximum Annual Debt Service for currently outstanding Long-Term Indebtedness of the Borrower as determined by the Borrower's next fiscal year's audit, then:

the Beneficial Owners of 2/3rds of the Outstanding Bonds have the right, to direct the Trustee to require the Borrower to engage, at the Borrower's expense, a Management Consultant, which shall deliver a written report within 75 days of engagement to the Trustee and the Board to each entity currently comprising the Borrower containing recommendations concerning the Borrower's:

(a) operations;

(b) financing practices and activities, including Short-Term Debt, lease financing, and investment activities;

(c) management practices, including the use of consultants, budgeting practices, and ongoing financial systems and monitoring of the Borrower's financial condition;

(d) governance and administration practices; and

(e) other factors relevant to maintaining such compliance.

Upon submission of the Management Consultant's report, the Borrower is required to arrange for payment of the amount owed to the Management Consultant and issue a written certificate to the Trustee indicating its acceptance or rejection of all or any material portion of the recommendations of the consultant within 30 days of receiving the report of the Management Consultant. The Beneficial Owners of 2/3rds of the Outstanding Bonds shall have the right to require the Borrower to comply with any reasonable recommendation of the Management Consultant with respect to items (a) through (e) above.

Section 8.15. Repair and Replacement Fund Deposits. The Borrower hereby covenants that, unless the amount on deposit in the Repair and Replacement Fund equals or exceeds the Repair and Replacement Fund Requirement (in which case no additional deposits are required), the Borrower shall pay or cause to be paid to the Trustee, for deposit to the Repair and Replacement Fund pursuant to Section 3.22 of the Indenture, payments which, added to any State Funds Payments, shall total at least two percent (2%) of the replacement value of school buildings as determined by Idaho Code Section 33-1019; and provided, that, in no instance shall any deposit be required which would result in the balance in the Repair and Replacement Fund exceeding the Repair and Replacement Fund Requirement. In the event of the repeal of the

aforesaid provisions of Idaho Code Section 33-1019, Borrower covenants to maintain in the Repair and Replacement Fund the amount required under said Idaho Code Section immediately before such repeal. At any time the Trustee notifies Borrower that the amount on deposit in the Repair and Replacement Fund is less than the Repair and Replacement Requirement, the Borrower shall restore the required balance in three equal installments coinciding with the next succeeding Disbursement Dates with respect to State Payments made in any August, October or November.

Section 8.16. Advance Refundings. If the Borrower causes the Bonds or any portion of them to be advance refunded, the Borrower agrees to seek a rating from S&P or another nationally recognized rating agency on the refunded Bonds (if such rating will increase the rating on the refunded Bonds).

Section 8.17. Compliance Notice. Borrower shall, not later than January 1 of each year hereafter, beginning January 1, 2009, file with Issuer, Trustee and Dissemination Agent a certificate in the form set forth in Exhibit "D" hereto.

ARTICLE IX

ASSIGNMENT AND PLEDGING; REDEMPTION OF BONDS

Section 9.01. Creation of Security Interest. With respect to the Pledged Revenues governed by the UCC, this Agreement shall constitute a security agreement between the Borrower as debtor and the Trustee as assignee of the Issuer's right and interests in and under this Agreement and the Borrower hereby grants to the Trustee a security interest in the Pledged Revenues.

Section 9.02. Assignment and Pledge by Issuer. The Issuer shall assign certain of its rights and interests in and under this Agreement, including the Pledged Revenues, to the Trustee pursuant to the Indenture as security for payment of the principal of, premium, if any, and interest on the Bonds. The Borrower hereby consents to such assignment.

Section 9.03. Redemption of Bonds. Upon the agreement of the Borrower to deposit moneys into the Bond Principal Fund and the Bond Interest Fund in an amount sufficient to redeem Bonds subject to redemption, the Trustee, at the written request of the Borrower, shall forthwith take all steps (other than the payment of the money required for such redemption) permitted and necessary under the applicable redemption provisions of the Indenture to effect redemption of all or part of the then Outstanding Bonds on the redemption date.

ARTICLE X

EVENTS OF DEFAULT AND REMEDIES

Section 10.01. Events of Default Defined. The following shall be "Events of Default" under this Agreement (subject to the notice requirements of Section 12.21 herein) and the term "Event of Default" shall mean, whenever it is used in this Agreement, any one or more of the following events:

(a) Failure by the Borrower to pay the Loan Payments required to be paid under Section 5.01(a) hereof and continuation thereof for a period of five (5) days.

(b) [Reserved].

(c) Failure by the Borrower to observe and perform any covenant, condition or agreement on its part to be observed or performed herein other than as referred to in subsection (a) of this Section hereof, for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the Borrower by the Issuer or the Trustee; provided, with respect to any such failure covered by this subsection (c), no Event of Default shall be deemed to have occurred so long as a course of action adequate in the judgment of the Trustee to remedy such failure shall have been commenced within such 30-day period and shall thereafter be diligently prosecuted to completion and the failure shall be remedied thereby within ninety (90) days of such occurrence, provided however that a violation of the minimum fund balance covenant in Section 8.14 herein shall not be an Event of Default.

(d) The dissolution or liquidation of the Borrower, or failure by the Borrower promptly to contest and have lifted any execution, garnishment, or attachment of such consequence as will impair its ability to meet its obligations with respect to the Facilities or to make any payments under this Agreement. The phrase "dissolution or liquidation of the Borrower," as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Borrower resulting either from a merger or consolidation of the Borrower into or with another domestic corporation or a dissolution or liquidation of the Borrower following a transfer of all or substantially all of its assets under the conditions permitting such actions contained in Section 8.02 hereof.

(e) The entry of a decree or order for relief by a court having jurisdiction in the premises in respect of the Borrower in an involuntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Borrower or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days.

(f) The commencement by the Borrower of a voluntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or the consent by it to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of the Borrower or for any substantial part of its property, or the making by it of any assignment for the benefit of creditors, or the failure of the Borrower generally to pay its debts as such debts become due, or the taking of corporate action by the Borrower in furtherance of any of the foregoing.

(g) Failure of the Borrower to comply with any covenants contained in the Tax Certificate.

(h) The occurrence of an Event of Default under the Mortgage or any of the Borrower Documents.

(i) Any representation or warranty made by the Borrower herein or made by the Borrower in any statement or certificate furnished by the Borrower either required hereby or in connection with the execution and delivery of this Agreement and the sale and the issuance of the Bonds, shall prove to have been untrue in any material respect as of the date of the issuance or making thereof.

(j) Judgment for the payment of money in excess of $50,000.00 (which is not covered by insurance) is rendered by any court or other governmental body against the Borrower, and the Borrower does not discharge same or provide for its discharge in accordance with its terms, or procure a stay of execution thereof within 60 days from the date of entry thereof, and within said 60-day period or such longer period during which execution of such judgment shall have been stayed, appeal therefrom and cause the execution thereof to be stayed during such appeal while providing such reserves therefor as may be required under Generally Accepted Accounting Principles.

(k) A writ or warrant of attachment or any similar process shall be issued by any court against the Facilities of the Borrower, and such writ or warrant of attachment or any similar process is not released or bonded within 60 days after its entry.

(l) Any of Borrower's representations and warranties herein or in any of the other Borrower Documents with respect to environmental matters are false in any material respect.

(m) The occurrence and continuation of any event of default under any other parity Indebtedness of the Borrower or any agreement in connection with or securing such parity Indebtedness if as a result of such event of default the holder of such parity Indebtedness would have the right to declare the principal thereof to be immediately due and payable.

The foregoing provisions of subsection (c) of this Section are subject to the following limitations: if by reason of force majeure the Borrower is unable in whole or in part to carry out its agreements herein contained, other than the obligations on the part of the Borrower contained in Article V and in Sections 4.07, 6.02, 6.03 and 8.06 hereof, the Borrower shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean, without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of the State of Idaho or any of their departments, agencies, or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquake; fire; hurricane; tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Borrower. The Borrower agrees, however, if possible, to remedy with all reasonable dispatch the cause or causes preventing it from carrying out its agreements; provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Borrower, and the Borrower shall not be required to make settlement of strikes, lockouts or other industrial

disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the Borrower unfavorable to the Borrower.

Section 10.02. Remedies on Default. If an Event of Default occurs hereunder, then the majority of bondholders must direct the Trustee to pursue a remedy unless such Event of Default is waived as contemplated in Section 10.05 hereof. Whenever an Event of Default referred to in Section 10.01 hereof shall have occurred and is continuing, the Issuer, or the Trustee where so provided herein, may, and at the direction of the Owners of majority of all Bonds Outstanding shall, take any one or more of the following remedial steps:

(a) The Trustee (acting as assignee of the Issuer) or the Issuer (in the event of a failure of the Trustee to act under this subsection), as and to the extent provided in the Indenture, may declare the Loan Payments payable hereunder for the remainder of the term of this Agreement to be immediately due and payable, whereupon the same shall become due and payable.

(b) [Reserved].

(c) The Trustee (acting as assignee of the Issuer) or the Issuer (in the event of a failure of the Trustee to act under this subsection), as and to the extent provided in the Indenture, may exercise the power of sale or foreclose under the Mortgage on the property subject thereto and may exercise all the rights and remedies of a secured party under the Idaho Uniform Commercial Code with respect thereto and with respect to the Pledged Revenues.

(d) The Trustee (acting as assignee of the Issuer) or the Issuer (in the event of a failure of the Trustee to act under this subsection), as and to the extent provided in the Indenture, may take whatever action at law or in equity as may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance or observance of any obligations, agreements, or covenants of the Borrower under this Agreement.

Notwithstanding the foregoing, prior to the exercise by the Issuer or the Trustee of any remedy that would prevent the application of this paragraph, the Borrower may, at any time, pay all accrued payments hereunder (exclusive of any such payments accrued solely by virtue of declaration pursuant to subsection (a) of the first paragraph of this Section) and fully cure all defaults, and in such event, the Borrower shall be fully reinstated to its position hereunder as if such Event of Default had never occurred.

In the event that the Borrower fails to make any payment required hereby, the payment so in default shall continue as an obligation of the Borrower until the amount in default shall have been fully paid.

Whenever any Event of Default has occurred and is continuing under this Agreement, the Trustee may, but except as otherwise provided in the Indenture shall not be obligated to, exercise any or all of the rights of the Issuer under this Article, upon notice as required to the Issuer. In addition, the Trustee shall have available to it all of the remedies prescribed in the Indenture. If the Trustee is not enforcing the Issuer's rights in a manner to protect the Issuer or is otherwise taking action that brings adverse consequences to the Issuer, then the Issuer may, without the

consent of the Trustee, take whatever action at law or in equity may appear necessary or appropriate to enforce the Issuer's Unassigned Rights and to collect all sums then due and thereafter to become due to the Issuer under this Agreement.

Any amounts collected pursuant to action taken under the immediately preceding paragraph (other than sums collected for the Issuer on account of the Issuer's Unassigned Rights, which sums shall be paid directly to the Issuer), after reimbursement of any costs incurred by the Issuer or the Trustee in connection therewith shall be applied in accordance with the provisions of the Indenture.

If the Issuer or the Trustee, shall have proceeded to enforce their rights under this Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Issuer or the Trustee, then and in every such case, the Borrower, the Issuer and the Trustee shall be restored to their respective positions and rights hereunder, and all rights, remedies and powers of the Borrower, the Issuer and the Trustee shall continue as though no such proceedings had been taken.

Section 10.03. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Issuer or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than notice required herein or by applicable law. Such rights and remedies given the Issuer hereunder shall also extend to the Trustee, the Beneficial Owners and the Registered Owners of the Bonds, subject to the Indenture.

Section 10.04. Agreement to Pay Attorneys' Fees and Expenses. In the event the Borrower should breach any of the provisions of this Agreement and the Issuer or the Trustee should employ attorneys or incur other expenses for the collection of Loan Payments or the enforcement of performance or observance of any obligation or agreement on the part of the Borrower herein contained, the Borrower agrees that it will on demand therefor pay to the Issuer and the Trustee, as the case may be, the reasonable fees of such attorneys and such other reasonable expenses incurred by the Issuer and the Trustee. The obligations of the Borrower arising under this Section shall continue in full force and effect notwithstanding the final payment of the Bonds or the termination of this Agreement for any reason.

Section 10.05. Waiver. In the event any agreement contained in this Agreement should be breached by any party and thereafter waived by any other party, such waiver shall be limited to the particular breach waived and shall not be deemed to waive any other breach hereunder. In view of the assignment of the Issuer's rights in and under this Agreement to the Trustee under the Indenture, the Issuer shall have no power to waive any Event of Default hereunder without the consent of the Trustee and the Owners of two-thirds in aggregate principal amount of the Bonds Outstanding. Notwithstanding the foregoing, unless otherwise required by the Owners of

two-thirds in aggregate principal amount of all Bonds Outstanding, a waiver of an Event of Default under the Indenture or a rescission of a declaration of acceleration of the Bonds and a rescission and annulment of its consequences shall constitute a waiver of the corresponding Event of Default under this Agreement and a rescission and annulment of its consequences; provided, that no such waiver or rescission shall extend to or affect any subsequent or other default hereunder or impair any right consequent thereon.

Section 10.06. Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Issuer or the Borrower or any other obligor upon the Bonds or the property of the Issuer, the Trustee (irrespective of whether the principal of the Bonds shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Issuer and/or the Borrower for the payment of overdue principal or interest) shall be entitled and empowered, by intervention of such proceeding or otherwise,

(a) to file and prove a claim for the whole amount of principal, premium, if any, and interest owing and unpaid in respect of the Bonds then Outstanding and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Owners allowed in such judicial proceeding; and to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

(b) and any receiver, assignee, trustee, liquidator, sequestrator (or other similar official) in any such judicial proceeding is hereby authorized by each Owner to make such payments to the Trustee, and, in the event that the Trustee shall consent to the making of such payments directly to the Owners, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agent and counsel.

So long as Bonds are outstanding the Trustee is appointed under the terms of the Indenture, and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee, the true and lawful attorney in fact of the respective Owners of the Bonds, with authority to make or file, in the respective names of the Owners of the Bonds or on behalf of all Owners of the Bonds, as a class, any proof of debt, amendment to proof of debt, petition or other documents and to execute any other papers and documents and to do and perform any and all acts and things for and on behalf of all Owners of the Bonds as a class, as may be necessary or advisable in the opinion of the Trustee, in order to have the respective claim of the Owners of the Bonds against the Issuer, the Borrower or any other obligor allowed in receivership, insolvency, liquidation, bankruptcy or other proceeding, to which the Issuer, the Borrower or any other obligor, as the case may be, shall be a party. The Trustee shall have full power of substitution and delegation in respect of any such powers.

Section 10.07. Treatment of Funds in Bankruptcy. The Borrower acknowledges and agrees that in the event Borrower commences a case under the United States Bankruptcy Code located at 11 U.S.C. §§ 101 *et. seq.* (the "Bankruptcy Code") or is the subject of an involuntary

case that results in an order for relief under the Bankruptcy Code: (i) amounts on deposit in any of the Funds are not, nor shall they be deemed to be, property of Borrower's bankruptcy estate as defined by § 541 of the Bankruptcy Code; (ii) that in no event shall Borrower assert, claim or contend that amounts on deposit in any of the Funds are property of Borrower's bankruptcy estate; and (iii) that amounts on deposit in any of the Funds are held in trust solely for the benefit of the Registered Owners and the Beneficial Owners, shall be applied only in accordance with the provisions of the Indenture and the Borrower has no legal, equitable nor reversionary interest in, or right to, such amounts.

ARTICLE XI

PREPAYMENT OF THE LOAN

Section 11.01. General Option to Prepay the Loan. So long as no Event of Default pursuant to Section 10.01 hereunder exists, the Borrower shall have and is hereby granted the option exercisable at any time to prepay all or any portion of the Loan evidenced by the 2008 Note by depositing with the Trustee an amount of money or securities to the extent permitted by Section 7.01 of the Indenture representing the principal amount, the premium, if any, and interest on the Loan to be prepaid to the date a corresponding amount of Series 2008 Bonds are redeemed. The exercise of the option granted by this Section shall not be cause for redemption of Series 2008 Bonds unless such redemption is permitted at that time under the provisions of the Indenture and the Borrower specifies the date for such redemption. The Promissory Notes are prepayable at any time in an amount sufficient to defease a related amount of Series 2008 Bonds in accordance with the Indenture. In the event the Borrower prepays all of the Loan evidenced by the Promissory Notes pursuant to this Section, pays all reasonable and necessary fees and expenses of the Trustee accrued and to accrue through final payment of the Series 2008 Bonds as a result of such prepayment, and all of its liabilities accrued and to accrue hereunder to the Issuer through final payment of the Series 2008 Bonds as a result of such prepayment, and all other amounts payable by the Borrower hereunder, this Agreement shall terminate except as otherwise provided herein.

Section 11.02. Notice of Prepayment. In order to exercise the option granted by this Article, the Borrower shall give written notice to the Trustee at least 45 days prior to the prepayment date, which notice shall specify therein the prepayment date and the prepayment amount. In the case of any prepayment pursuant to this Article, the Borrower shall make arrangements with the Trustee for giving notice of redemption as required by the Indenture, if any, with respect to any Bonds to be redeemed shall, if applicable, provide evidence of the Borrower's ability to deliver sufficient Protected Funds to redeem all Bonds called for redemption at least 35 days prior to the redemption date and, if applicable, shall pay to the Trustee an amount of money which constitutes Protected Funds sufficient to redeem all of the Bonds to be called for redemption at the appropriate price no later than the redemption date.

Section 11.03. Use of Prepayment Moneys. By virtue of the assignment of the rights of the Issuer under this Agreement to the Trustee, the Borrower agrees to and shall pay any amount required to be paid by it under this Article directly to the Trustee (other than amounts to be paid to the Issuer for its own account). The Trustee shall use the moneys so paid to it by the

Borrower (other than amounts to be paid to the Trustee for its own account) as provided in this Agreement and in the Indenture.

ARTICLE XII

MISCELLANEOUS

Section 12.01. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by certified mail, return receipt requested, postage prepaid, facsimile (confirmed by certified mail) or overnight courier, addressed as follows:

If to the Issuer:
Idaho Housing and Finance Association
565 W. Myrtle
Boise, ID 83707
Attention: Chief Financial Officer and Vice President
Telephone: (208) 331-4728
Facsimile: (208) 331-4802

If to the Borrower:
Victory Charter School, Inc.
1081 E. Lewis Lane
Nampa, Idaho 83686 Attention: Administration
Telephone: (208) 442-9400
Facsimile: (208) 442-9401

With a copy to:
Richard A. Cummings
412 E. Parkcenter Blvd., Ste. 325
P.O. Box 1545
Boise, Idaho 83701
Telephone: (208) 367-0722
Facsimile: (208) 367-0892

If to the Trustee:
Wells Fargo Bank, National Association
MAC U 1858-033
877 West Main Street, 3rd Floor
Boise, Idaho 83707
Attention: Corporate Trust Services
Telephone: (208) 393-5491
Facsimile: (208) 393-5404

If to the Underwriter: Wachovia Bank, National Association
1675 Broadway, Suite 2700
Denver, CO 80202
Telephone: (303) 893-5300
Facsimile: (303) 893-9313

A duplicate copy of each notice, certificate or other communication given hereunder by the Issuer or the Borrower shall also be given to the Trustee. The Issuer, the Borrower and the Trustee may, by notice hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 12.02. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Issuer and the Borrower, and their respective successors and assigns, subject, however, to the limitations contained in Sections 8.02, 9.01, 9.02 and 12.10 hereof.

Section 12.03. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 12.04. Third Party Beneficiaries. Each of the Issuer Indemnified Parties, (other than the Issuer) and the Trustee Indemnified Parties are intended "Third Party Beneficiaries" of this Agreement. Nothing in this Agreement shall confer any right upon any person other than parties hereto, and those specifically designated as Third Party Beneficiaries of this Agreement.

Section 12.05. Amounts Remaining in Funds. It is agreed by the parties hereto that any amounts remaining in the Funds upon termination of this Agreement, provided the Bonds have been fully retired and all amounts due hereunder have been paid in full, shall belong to and be paid to the Borrower by the Trustee, as provided in the Indenture.

Section 12.06. Amendments, Changes and Modifications. Except as otherwise provided in this Agreement or in the Indenture, this Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of the Issuer.

The Issuer has imposed certain requirements on the Trustee, the Borrower, the ownership or operation of the Project, or the Bonds which are more restrictive than those required by the Act, the Treasury Regulations, or the Code, which each party hereto agrees are reasonable. For that reason, any proposed amendment, modification or supplement of this Loan Agreement which provides for less restrictive covenants than required by the Issuer, but permitted by law, shall require the Issuer's consent, which may not be unreasonably withheld.

Section 12.07. Execution in Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 12.08. Governing Law. This Agreement shall be governed by and interpreted in accordance with the internal laws of the State without regard to conflicts of laws principles.

Section 12.09. Filing. The Borrower shall cause the security interests granted by the Mortgage to be recorded with the Canyon County Recorder. In addition, the Borrower shall cause the security interest in the Funds and trust accounts referred to in Section 5.02 hereof granted to the Issuer, the assignment of such security interest to the Trustee and the security interest in the Mortgage granted to the Trustee to be perfected by the filing of financing statements which shall fully comply with the Idaho Uniform Commercial Code in the office of the Idaho Secretary of State and the office of the Canyon County Recorder, and in such other office as is at the time provided by law as the proper place for the filing thereof. The parties further agree that all necessary continuation statements shall be filed by the Borrower with the cooperation of the Trustee within the time prescribed by the Idaho Uniform Commercial Code in order to continue such security interests.

Section 12.10. Cancellation at Expiration of Term of Agreement. Upon the termination of this Agreement, and provided the Bonds have been fully retired and all amounts due hereunder have been paid in full, the Issuer shall deliver to the Borrower any documents and take or cause the Trustee to take such actions as may be necessary to evidence the termination of this Agreement and the discharge of the Lien hereof.

Section 12.11. No Pecuniary Liability of Issuer. No provision, covenant, or agreement contained in this Agreement, or any obligations herein imposed upon the Issuer, or the breach thereof, shall constitute an indebtedness or liability of the Issuer within the meaning of any Idaho constitutional provision or statutory limitation or shall constitute or give rise to a pecuniary liability of the Issuer or any commissioner, officer or agent of the Issuer or a charge against the Issuer's general credit. In making the agreements, provisions and covenants set forth in this Agreement, the Issuer has not obligated itself except with respect to the application of the revenues, as hereinabove provided.

Section 12.12. No Personal Liability of Officials of the Borrower, Issuer or the Trustee. None of the covenants, stipulations, promises, agreements and obligations of the Issuer or the Borrower contained herein shall be deemed to be covenants, stipulations, promises, agreements or obligations of any official, officer, agent or employee of the Issuer or the Borrower in his or her individual capacity, and no recourse shall be had for the payment of the principal of or premium, if any, or interest on the Bonds or for any claim based thereon or any claim hereunder against any official, officer, agent or employee of the Issuer or the Borrower or any officer, agent, servant or employee of the Trustee or any natural person executing any Bond, including any officer or employee of the Trustee.

Section 12.13. Special Limited Obligation of Issuer. This Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Borrower and the Trustee for the benefit of the owners of the Bonds, and their respective successors and assigns, subject to the limitation that any obligations of the Issuer created by or arising out of this Agreement shall be special limited obligations of the Issuer, payable solely out of the revenues arising from the pledge and assignment of the Loan and the other funds held or set aside in trust under the Indenture and shall

never constitute the debt or indebtedness of the Issuer, the State, or any political subdivision of the State within the meaning of any provision or limitation of the constitution or statutes of the State and shall not constitute nor (except for its fraud or intentional misrepresentation) give rise to a pecuniary liability of the Issuer, the State or any political subdivision of the State or a charge against the general credit or taxing powers, if any, of such entities. The Issuer has no taxing power.

Anything in this Agreement to the contrary notwithstanding, it is expressly understood and agreed by the parties hereto that the Issuer may rely conclusively on the truth and accuracy of any certificate, opinion, notice, or other instrument furnished to the Issuer by the Borrower as to the existence of any fact or state of affairs required hereunder to be noticed by the Issuer.

No recourse shall be had for the enforcement of any obligation, covenant, promise, or agreement of the Issuer contained in this Agreement, any other Issuer Documents, or in any Bond or for any claim based hereon or otherwise in respect hereof or upon any obligation, covenant, promise, or agreement of the Issuer contained in any agreement, instrument, or certificate executed in connection with the Project or the issuance and sale of the Bonds, against any Issuer Indemnified Parties, whether by virtue of any Constitutional provision, statute, or rule of the law, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that no personal liability whatsoever shall attach to, or be incurred by, any Issuer Indemnified Party, either directly or by reason of any of the obligations, covenants, promises, or agreements entered into by the Issuer with the Borrower or the Trustee to be implied therefrom as being supplemental hereto or thereto, and that all personal liability of that character against each and every Issuer Indemnified Party is, by the execution of the Bonds, this Agreement, and the other Issuer Documents, and as a condition of, and as part of the consideration for, the execution of the Bonds, this Agreement, and the other Issuer Documents, is expressly waived and released.

No agreements or provisions contained herein, nor any agreement, covenant, or undertaking by the Issuer in connection with the Project or the issuance, sale, and/or delivery of the Bonds shall give rise to any pecuniary liability of the Issuer or a charge against its general credit, or shall obligate the Issuer financially in any way, except as may be payable from the revenues pledged hereby for the payment of the Bonds and their application as provided in the Indenture. No failure of the Issuer to comply with any term, covenant, or agreement contained in the Bonds, this Agreement, or the Indenture, or in any document executed by the Issuer in connection with the Project or the issuance and sale of the Bonds, shall subject the Issuer to liability for any claim for damages, costs, or other financial or pecuniary charge, except to the extent that the same can be paid or recovered from the revenues pledged for the payment of the Bonds or other revenues derived under this Agreement. Nothing herein shall preclude a proper party in interest from seeking and obtaining, to the extent permitted by law, specific performance against the Issuer for any failure to comply with any term, condition, covenant, or agreement herein; provided that no costs, expenses, or other monetary relief shall be recoverable from the Issuer, except as may be payable from the revenues pledged in the Indenture for the payment of the Bonds or other revenue derived under this Agreement. No provision, covenant, or agreement contained herein, or any obligations imposed upon the Issuer, or the breach thereof, shall constitute an indebtedness of the Issuer within the meaning of any State constitutional or

statutory limitation or shall constitute or give rise to a charge against its general credit. In making the agreements, provisions, and covenants set forth in this Agreement, the Issuer has not obligated itself, except with respect to the application of the revenues pledged in the Indenture for the payment of the Bonds or other revenues derived under this Agreement or the Indenture.

The Issuer shall have no liability or obligation with respect to the payment of the purchase price of the Bonds. None of the provisions of this Agreement shall require the Issuer to expend or risk its own funds or to otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers hereunder, unless payable from the revenues pledged under the Indenture, or the Issuer shall first have been adequately indemnified to its satisfaction against the cost, expense, and liability which may be incurred thereby. The Issuer shall not be under any obligation hereunder to perform any record keeping or to provide any legal services, it being understood that such services shall be performed or provided as arranged by the Trustee or the Borrower. The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions expressly contained in this Agreement, the Indenture, and in any and every Bond executed, authenticated, and delivered under the Indenture; provided, however, that (a) the Issuer shall not be obligated to take any action or execute any instrument pursuant to any provision hereof until it shall have been requested to do so by the Borrower or the Trustee, and (b) the Issuer shall have received the instrument to be executed.

Section 12.14. No Warranty by Issuer. THE BORROWER RECOGNIZES THAT, BECAUSE THE COMPONENTS OF THE PROJECT HAVE BEEN AND ARE TO BE SELECTED BY IT, THE ISSUER HAS NOT MADE AN INSPECTION OF THE PROJECT, IF AND WHEN ACQUIRED, OR OF ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, AND THE ISSUER MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED OR OTHERWISE, WITH RESPECT TO THE SAME OR THE LOCATION, USE, DESCRIPTION, DESIGN, MERCHANTABILITY, FITNESS FOR USE FOR ANY PARTICULAR PURPOSE, CONDITION OR DURABILITY THEREOF, OR AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, IT BEING AGREED THAT ALL RISKS INCIDENT THERETO ARE TO BE BORNE BY THE BORROWER. IN THE EVENT OF ANY DEFECT OR DEFICIENCY OF ANY NATURE IN THE PROJECT OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER PATENT OR LATENT, THE ISSUER SHALL HAVE NO RESPONSIBILITY OR LIABILITY WITH RESPECT THERETO. THE PROVISIONS OF THIS SECTION HAVE BEEN NEGOTIATED AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION OF ANY WARRANTIES OR REPRESENTATIONS BY THE ISSUER, EXPRESS OR IMPLIED, WITH RESPECT TO THE PROJECT OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER ARISING PURSUANT TO THE UNIFORM COMMERCIAL CODE OR ANY OTHER LAW NOW OR HEREAFTER IN EFFECT.

Section 12.15. Prior Agreements Superseded. This Agreement, together with all agreements executed by the parties concurrently herewith or in conjunction with the initial issuance of the Bonds, shall completely and fully supersede all other prior understandings or

agreements, both written and oral, between the Issuer and the Borrower relating to the Bonds, the lending of money and the Project.

Section 12.16. Covenant by the Borrower with Respect to Statements, Representations and Warranties. It is understood by the Borrower that all such statements, representations and warranties made in this Agreement shall be deemed to have been relied upon by the Issuer as an inducement to issue the Bonds, and that if any such statements, representations and warranties were false at the time they were made or (with respect to those representations and warranties which are to continue) are breached during the term hereof, such misrepresentation or breach shall constitute a breach of this Agreement which may give rise to an event of default hereunder.

Section 12.17. Captions. The captions and headings in this Agreement are for convenience only and in no way define, limit, or describe the scope or intent of any provisions or sections of this Agreement.

Section 12.18. Payments Due on Holidays. If the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Agreement, is not a Business Day such payments may be made or act performed or right exercised on the next succeeding Business Day unless otherwise provided herein, with the same force and effect as if done on the nominal date provided in this Agreement.

Section 12.19. Provision of General Application. Any consent or approval of the Issuer required pursuant to this Agreement shall be in writing and shall not be unreasonably withheld. If such consent or approval is withheld, the Issuer shall state its reasons in writing.

Section 12.20. Survival. Notwithstanding the payment in full of the Bonds, the discharge of the Indenture, and the termination or expiration of the Promissory Notes and this Agreement, all provisions in this Agreement concerning (a) the tax-exempt status of the Tax-Exempt Bonds (including, but not limited to provisions concerning Rebate), (b) the interpretation of this Agreement, (c) the governing law, (d) the forum for resolving disputes, (e) the Issuer's right to rely on facts or certificates, (f) the indemnity of the Issuer Indemnified Parties and the Trustee Indemnified Parties, and (g) the Issuer's and Trustee's lack of pecuniary liability shall survive and remain in full force and effect.

Section 12.21. Notice of Change in Fact. The Borrower will notify the Issuer and the Trustee promptly after the Borrower becomes aware of (i) any change in any material fact or circumstance represented or warranted by the Borrower in this Agreement or in connection with the issuance of the Bonds which would make any such representation or warranty false when made, (ii) any default or event which, with notice or lapse of time or both, could become an Event of Default under this Agreement, or the Indenture or any Borrower Document, specifying in each case the nature thereof and what action the Borrower has taken, is taking, and/or proposes to take with respect thereto, (iii) any Internal Revenue Service audit of the Borrower or the Bonds, (iv) any material litigation affecting the Bonds, the Borrower or the Facilities, and (v) any default in indebtedness of the Borrower.

IN WITNESS WHEREOF, the Issuer and the Borrower have caused this Agreement to be executed in their respective corporate names by their duly authorized officers, all as of the date first above written.

IDAHO HOUSING AND FINANCE ASSOCIATION, as Issuer

By [redacted]
Name: John Sager
Title: Chief Financial Officer

VICTORY CHARTER SCHOOL, INC.
as Borrower

By [redacted]
Name: Leslie Mauldin
Title: President

TERMS ACKNOWLEDGED AND ACCEPTED:

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Trustee

By: [redacted]
Name: Twyla D. Lehto
Title: Vice President

EXHIBIT A

LEGAL DESCRIPTION OF LAND

Parcel I

A parcel of land being a portion of the East Half of the Northwest Quarter of the Northeast Quarter of Section 15, Township 2 North, Range 2 West, Boise Meridian, Nampa, Canyon County, Idaho and more particularly described as:

Commencing at an iron pin marking the Northeast 1/16 corner of said Section 15, said point being the True Piont of Beginning; thence
North 00°47'10" East along the Easterly Meridianal 1/16 line of said Section 15 for a distance of 615,69 feet to an iron pin; thence
North 89°13'02" West for a distance of 101,39 feet to an iron pin; thence South 00°47'10" East for a distance of 236,31 feet to an iron pin; thence North 89°13'02" West for a distance of 184.33 feet to an iron pin; thence North 00°47'10" East for a distance of 236,31 feet to an iron pin; thence North 89°13'02" West for a distance of 350.76 feet to an iron pin; thence South 00°47'10" West for a distance of 615,69 feet to an iron pin; thence
South 89°13'02" East for a distance of 636.48 feet to the True Point of Beginning,

Parcel II

A 60.00 feet wide access and utility easement along the Easterly boundary of the following described parcel as created in corporation Warranty Deed recorded October 6, 2006 as Instrument No. 200681341, records of Canyon County, Idaho.

A parcel of land located in the East Half of the Northwest Quarter of the Northeast Quarter of Section 15, Township 2 North, Range 2 West, Boise Meridian, Canyon County, Idaho more particularly described as follows:

Beginning at an Aluminum Cap marking the East 1/16 on the Northern Boundary of said Section 15, said point being the True Point of Beginning; thence
South 0°47'10" East along the Easterly Meridianal 1/16 line of said Section 12 for a distance 708,96 fect to an iron pin: thence
North 89°13'02" West for a distance of 636.48 feet to an iron pin; thence
North 0°47'10" West for a distance of 708.83 feet to an iron pin located on the Northerly Boundary of said Section 15; thence
South 89°13'44" East along the said Northerly Boundary of Section 15 for a distance of 636.48 feet to the True Point of Beginning.

DESCRIPTION OF FACILITIES TO BE FINANCED BY SERIES 2008 BONDS:

1. Refinancing of an outstanding interim construction loan utilized to construct school facilities of approximately 31,200 square feet, including 11 regular classrooms, a computer lab, science lab, music room, cafeteria/library, seven bathrooms, a high school commons area for grades K through 10 located at 1081 E. Lewis Lane in Nampa, Idaho.

2. New money financing of construction of a track and field complex and other capital items.

EXHIBIT B

FORM OF PROJECT FUND REQUISITION CERTIFICATE

Request No. _____
Date:

TO: WELLS FARGO BANK, NATIONAL ASSOCIATION, AS TRUSTEE (THE "TRUSTEE"), UNDER THE TRUST INDENTURE, DATED AS OF JULY 1, 2008, BETWEEN IDAHO HOUSING AND FINANCE ASSOCIATION (THE "ISSUER") AND THE TRUSTEE, AND THE LOAN AGREEMENT, DATED AS OF JULY 1, 2008 (THE "AGREEMENT"), BETWEEN THE ISSUER AND VICTORY CHARTER SCHOOL, INC.

The undersigned Authorized Representative of the Borrower hereby states and certifies that:

(i) these Costs of the Project were properly incurred in the construction of the Project;

(ii) these Costs of the Project are valid costs under the Act and no part thereof has been included in any other Requisition Certificate previously filed with the Trustee under the provisions of the Indenture or reimbursed to the Borrower from Bond proceeds;

(iii) no Event of Default currently exists (or with the passage of time, will exist) of the Borrower Documents; and

With respect to the final disbursement:

(i) a certificate of occupancy with respect to the construction portion of the Project has been issued by the City of Nampa, Idaho, a copy of which is attached hereto; and

(ii) the Project was completed on _____, and has been acquired, constructed/renovated and equipped by the Borrower in substantial compliance with the plans and specifications relating thereto.

VICTORY CHARTER SCHOOL, INC.

By _____
Authorized Representative

By: _____
Consulting Architect

The Project has been completed substantially in compliance with the plans and specifications relating thereto.

_____

By: _____
Consulting Architect

EXHIBIT C-1

FORM OF SERIES 2008A PROMISSORY NOTE

$[_____]

Nampa, Idaho
_____, 2008

For value received, the undersigned, **VICTORY CHARTER SCHOOL, INC.**, a Idaho, nonprofit corporation (the "Borrower"), hereby promises to pay to the order of **IDAHO HOUSING AND FINANCE ASSOCIATION** (the "Lender") in its capacity as Issuer under the Trust Indenture dated as of July 1, 2008, between WELLS FARGO BANK, NATIONAL ASSOCIATION, as trustee ("Trustee") and Lender, at Trustee's designated office in Boise, Idaho, or at any other place designated at any time by the holder hereof, in lawful money of the United States of America and in immediately available funds, the principal sum of [_____] **DOLLARS ($[_____])**, together with interest on the principal amount hereunder remaining unpaid from time to time, computed on the basis of the actual number of days elapsed and a 360-day year, from the date hereof until this Note is fully paid. Such principal amount above is payable in such amounts and at such times and at the rate or rates from time to time in effect under the Loan Agreement dated as of July 1, 2008 (the "Loan Agreement") by and between Lender and Borrower. The principal hereof and interest accruing thereon shall be due and payable as provided in the Loan Agreement. This Note may be prepaid only in accordance with the Loan Agreement.

This Note is issued pursuant, and is subject, to the Loan Agreement, which provides, among other things, for acceleration hereof. This Note is the Series 2008A Note referred to in the Loan Agreement.

This Note is secured, among other things, by the Deed of Trust, Security Agreement, Fixture Filing and Assignment of Leases and Rents, dated as of July 1, 2008 (the "Mortgage"), and may now or hereafter be secured by one or more other security agreements, mortgages, deeds of trust, assignments or other instruments or agreements.

Borrower hereby agrees to pay all costs of collection, including attorneys' fees and legal expenses in the event this Note is not paid when due, whether or not legal proceedings are commenced.

Borrower agrees that the interest rate contracted for includes the interest rate set forth herein or in the Loan Documents (as defined in the Loan Agreement) plus any other charges or fees set forth herein or therein and costs and expenses incident to this transaction paid by the Borrower to the extent the same are deemed interest under applicable law.

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Presentment or other demand for payment, notice of dishonor and protest are expressly waived.

VICTORY CHARTER SCHOOL, INC.,
an Idaho nonprofit corporation

By: _____

Name: _____

Title: _____

ENDORSEMENT

Pay to the order of Wells Fargo Bank, National Association, without recourse, as Trustee under the Indenture referred to in the within mentioned Note, as security for such Series 2008 Bonds issued under such Indenture. This endorsement is given without any warranty as to the authority or genuineness of the signature of the maker of the Notes.

DATED: July 1, 2008

IDAHO HOUSING AND FINANCE ASSOCIATION

By: _____
Name: _____
Title: _____

EXHIBIT C-2

FORM OF SERIES 2008B PROMISSORY NOTE

$[_____]

Nampa, Idaho
_____, 2008

For value received, the undersigned, **VICTORY CHARTER SCHOOL, INC.**, a Idaho, nonprofit corporation (the "Borrower"), hereby promises to pay to the order of **IDAHO HOUSING AND FINANCE ASSOCIATION** (the "Lender") in its capacity as Issuer under the Trust Indenture dated as of July 1, 2008, between WELLS FARGO BANK, NATIONAL ASSOCIATION, as trustee ("Trustee") and Lender, at Trustee's designated office in Boise, Idaho, or at any other place designated at any time by the holder hereof, in lawful money of the United States of America and in immediately available funds, the principal sum of [_____] **DOLLARS ($[_____])**, together with interest on the principal amount hereunder remaining unpaid from time to time, computed on the basis of the actual number of days elapsed and a 360-day year, from the date hereof until this Note is fully paid. Such principal amount above is payable in such amounts and at such times and at the rate or rates from time to time in effect under the Loan Agreement dated as of July 1, 2008 (the "Loan Agreement") by and between Lender and Borrower. The principal hereof and interest accruing thereon shall be due and payable as provided in the Loan Agreement. This Note may be prepaid only in accordance with the Loan Agreement.

This Note is issued pursuant, and is subject, to the Loan Agreement, which provides, among other things, for acceleration hereof. This Note is the Series 2008B Note referred to in the Loan Agreement.

This Note is secured, among other things, by the Deed of Trust, Security Agreement, Fixture Filing and Assignment of Leases and Rents , dated as of July 1, 2008 (the "Mortgage"), and may now or hereafter be secured by one or more other security agreements, mortgages, deeds of trust, assignments or other instruments or agreements.

Borrower hereby agrees to pay all costs of collection, including attorneys' fees and legal expenses in the event this Note is not paid when due, whether or not legal proceedings are commenced.

Borrower agrees that the interest rate contracted for includes the interest rate set forth herein or in the Loan Documents (as defined in the Loan Agreement) plus any other charges or fees set forth herein or therein and costs and expenses incident to this transaction paid by the Borrower to the extent the same are deemed interest under applicable law.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Presentment or other demand for payment, notice of dishonor and protest are expressly waived.

VICTORY CHARTER SCHOOL, INC.,
an Idaho nonprofit corporation

By: _____

Name: _____

Title: _____

ENDORSEMENT

Pay to the order of Wells Fargo Bank, National Association, without recourse, as Trustee under the Indenture referred to in the within mentioned Note, as security for such Series 2008 Bonds issued under such Indenture. This endorsement is given without any warranty as to the authority or genuineness of the signature of the maker of the Notes.

DATED: July 1, 2008

IDAHO HOUSING AND FINANCE ASSOCIATION

By: _____
Name: _____
Title: _____

EXHIBIT "D"

BORROWER'S ANNUAL CERTIFICATE OF CONTINUING COMPLIANCE

The undersigned, _____, _____ of Victory Charter School, Inc. (the "Borrower") hereby certifies, with respect to the Idaho Housing and Finance Association Nonprofit Facilities Revenue Bonds, (Victory Charter School, Inc. Project) Series 2008A and Series 2008B (the "Bonds"), that during the period January 1, ____ through December 31, ____:

(a) The Borrower has not used any portion of the Bond proceeds except for facilities in furtherance of its purposes consistent with Section 501(c)(3) of the Code and no portion has been used for purposes which will produce "unrelated trade or business income" of Borrower as defined in Section 513(a) of the Code.

(b) The Borrower has not, except with the Issuer's written approval, substantially subtracted from any real or personal property of the Project.

(c) The Borrower has not, permitted the use of any part of the Project for any purpose other than as a public charter school pursuant to Title 67, Chapter 62 of the Idaho Code as amended, consistent with the Loan Agreement, dated as of July 1, 2008 (the "Loan Agreement"), executed in connection with the issuance of the Bonds.

(d) The Borrower has not allowed any Person or organization, other than the Borrower, to become a user of the Project, or any portion thereof, nor has the Borrower transferred any portion of the Project, except as follows: _____.

(e) Borrower is and continues to be an organization qualified under Section 501(c)(3) of the Code and has received no notice to the contrary from the Internal Revenue Service.

(f) The Borrower is in compliance with all other provisions of the Loan Agreement, and all representations contained in the Loan Agreement continue to be true and correct.

All capitalized terms used herein, but not defined herein, have the meaning given in the Loan Agreement and Indenture.

DATED: _____

VICTORY CHARTER SCHOOL, INC.

By: _____
Its: _____